ANNUAL REPORT 2022

MUHIBBAH ENGINEERING (M) BHD

Registration No.: 197201001137 (12737-K)

Board Of Directors

Dato' Mohamad Kamarudin bin Hassan
(Chairman, Senior Independent Non-Executive Director)

Mac Ngan Boon @ Mac Yin Boon
(Group Managing Director)

Mac Chung Jin
(Executive Director/Deputy Chief Executive Officer)

Shirleen Lee Poh Kwee
(Group Finance Director)

Sobri bin Abu
(Independent Non-Executive Director)

Dato' Khodijah binti Abdullah
(Independent Non-Executive Director)

Dato' Sri Khazali bin Haji Ahmad
(Independent Non-Executive Director)

Mazlan bin Abdul Hamid
(Non-Independent Non-Executive Director)

Corporate Information

Audit Committee
Sobri bin Abu *(Chairman)*
Dato' Sri Khazali bin Haji Ahmad
Dato' Khodijah binti Abdullah

Company Secretaries
Irene Choe Mee Kam @ Irene Chow Mee Kam
(SSM PC No. 202008003930) (MIA 16775)
Tia Hwei Ping
(SSM PC No. 202008001687) (MAICSA 7057636)

Registered Office
Lot 579 & 586, 2nd Mile, Jalan Batu Tiga Lama
41300 Klang, Selangor Darul Ehsan, Malaysia
Tel: (603) 3342 4323 Fax: (603) 3342 4327

Auditors
Crowe Malaysia PLT
Firm No. 201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants
Level 16, Tower C, Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia

Principal Bankers
Affin Bank Berhad
Ambank (Malaysia) Berhad
Bangkok Bank Berhad
Bank Islam Malaysia Berhad
Bank Muamalat Malaysia Berhad
Bank of China (Malaysia) Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Industrial and Commercial Bank of China (Malaysia) Berhad
Malayan Banking Berhad
RHB Bank Berhad
United Overseas Bank (Malaysia) Berhad

Share Registrar
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia
Tel : (603) 2783 9299 Fax: (603) 2783 9222

Stock Exchange Listing
Muhibbah Engineering (M) Bhd
Main Market of Bursa Malaysia Securities Berhad
Stock Name: Muhibah
Bursa Stock Code: 5703
Bloomberg Stock Code: MUHI MK
Listing Date: 25 February 1994

Favelle Favco Berhad
Main Market of Bursa Malaysia Securities Berhad
Stock Name: Favco
Bursa Stock Code: 7229
Bloomberg Stock Code: FFB MK
Listing Date: 15 August 2006

Investor Relations
Tel: (603) 3376 2530 Fax: (603) 3344 6302
Email: ir@muhibbah.com.my

Website
www.muhibbah.com
www.favellefavco.com

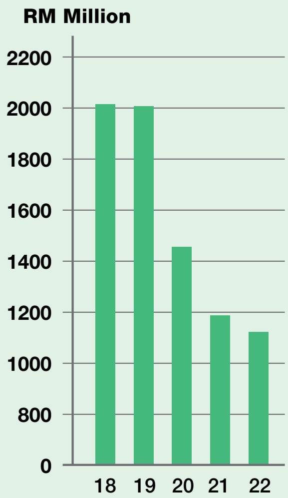
Engineering, Procurement, Construction & Installation (EPCI) for Wellhead Platform (WHP) for East Cendor Field Development (Phase 1) for Petrofac Malaysia

Contents

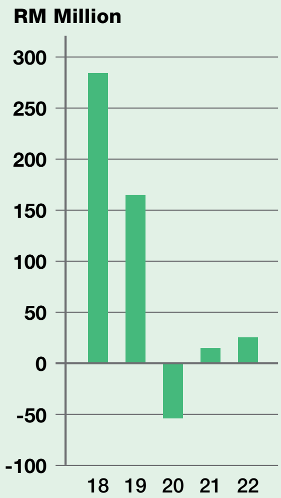
Group Financial Highlights

	2018	2019	2020	2021	2022
Turnover (RM'000)*	2,077,281	2,024,324	1,460,371	1,189,858	**1,124,201**
Profit/(Loss) Profit Before Tax (RM'000)	273,829	156,021	(56,204)	15,900	**24,310**
Profit/(Loss) After Tax (RM'000)	231,549	116,860	(84,108)	2,499	**5,720**
Profit/(Loss) After Tax and Non-controlling Interest (RM'000)	144,800	34,884	(123,000)	(3,416)	**(17,880)**
Total Equity Attributable to Owners of the Company (RM'000)	1,120,435	1,113,001	1,086,676	1,102,406	**1,259,331**
Share Capital (RM'000)	301,746	306,438	306,602	306,602	**426,474**
Basic Earnings/(Loss) Per Ordinary Share Attributable to Owners of the Company (Sen)	30.12	7.23	(25.44)	(0.71)	**(2.75)**
Net Assets Per Ordinary Share Attributable to Owners of the Company (RM)	2.33	2.30	2.24	2.27	**1.73**

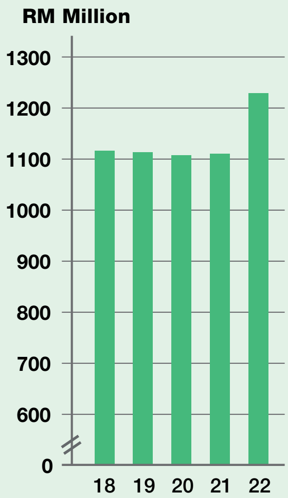
* Group revenue include Group's share of revenue of associates



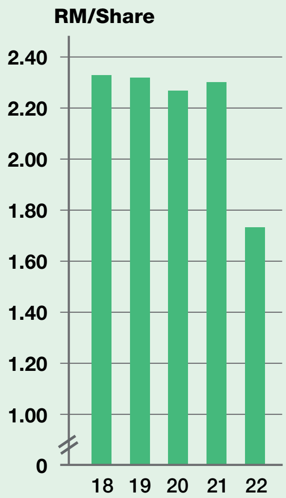
Turnover



Profit/(Loss) before Tax



Total Equity Attributable to Owners of the Company



Net Assets Per Ordinary Share Attributable to Owners of the Company

Core Divisions as at 29 March 2023

MUHIBBAH ENGINEERING (M) BHD

CONCESSIONS

- 70% MUHIBBAH MASTERON CAMBODIA JV LIMITED
  - 30% SOCIETE CONCESSIONAIRE DE l' AEROPORT
- 21% ROADCARE (M) SDN. BHD.

INFRASTRUCTURE CONSTRUCTION

- 100% MEB CONSTRUCTION SDN. BHD.
- 100% MUHIBBAH STEEL INDUSTRIES SDN. BHD.
- 100% CITECH ENERGY RECOVERY SYSTEM MALAYSIA SDN. BHD.
  - 100% CITECH ENERGY RECOVERY SOLUTIONS UK (LTD)
- 60% MUHIBBAH ENGINEERING (CAMBODIA) CO. LTD.
- 50% FREYSSINET PSC (M) SDN. BHD.

CRANES

- 63.3% FAVELLE FAVCO BERHAD

(A) CRANES

- 100% FAVELLE FAVCO CRANES (M) SDN. BHD.
- 100% FAVELLE FAVCO CRANES PTE. LTD.
- 100% FAVELLE FAVCO CRANES PTY. LIMITED
- 100% FAVELLE FAVCO CRANES (USA), INC.
- 100% KROLL CRANES A/S
- 100% FES EQUIPMENT SERVICES SDN. BHD.
- 80% SHANGHAI FAVCO ENGINEERING MACHINERY MANUFACTURING CO. LTD.

(B) INTELLIGENT AUTOMATION

- 70% SEDIA TEGUH SDN. BHD.
- 70% EXACT AUTOMATION SDN. BHD.
- 70% EXACT ANALYTICAL SDN. BHD.
- 70% STRATA NIAGA SDN. BHD.
  - 51% STRATA NIAGA (B) SDN. BHD.

SHIPYARD

- 100% MUHIBBAH MARINE ENGINEERING SDN. BHD.

** Only major active companies are included here*

Management Discussion and Analysis

2023, Cambodia Airports Departure Hall : Business as usual again

Overview of Businesses

Muhibbah was incorporated in Malaysia on 4 September 1972 and has been listed on the Main Market of Bursa Malaysia Securities Berhad ("Main Market") since 1994.

Since its inception, Muhibbah has established a track record of an international engineering construction company playing an integral role as an integrated solutions provider in related fields such as offshore and onshore platforms, marine facilities, dams, ports, bridges, jetties, petrochemical facilities, steel fabricated structures, highways, industrial infrastructure construction, crane manufacturing, shipbuilding, ship repair and airport construction, airport operations and airport development in both local and global markets.

Muhibbah owns a Bursa Malaysia Main Market listed crane manufacturing subsidiary, Favelle Favco Berhad ("Favco"), which provides one-stop solutions as a manufacturer of specialised offshore oil and gas ("O&G") pedestal cranes as well as tower cranes for the global markets.

Favco, also has 70% equity interest in an Intelligent Automation Group which provides design, engineering and maintenance services for automation solutions, process analysers and specialized equipment.

Our Cambodia Airports Division has a Build-Operate-Transfer concession for the development and management of Cambodia's international airports ("Cambodia Airports").

Muhibbah has a wholly-owned shipyard, Muhibbah Marine Engineering Sdn Bhd, located at Telok Gong, Port Klang for shipbuilding and ship repair business activities. Muhibbah also has a wholly-owned steel fabrication yard to carry out offshore and onshore platform works, petrochemical facilities and decommissioning of platform works.

Mission and Strategies

The Group's long term vision is not only to be in concessions as owner and operator but also as an infrastructure construction and manufacturing solutions provider. Such vision also includes being a heavy-lifting crane manufacturer and an automation service provider for the global O&G and commercial industries.

Our long term strategy is to continue building the right mix of diversified businesses to complement and provide synergistic growth in the Group as the market evolves.

Market Overview in 2022

In 2022, the global economy experienced broad-based decline amid soaring inflation, record-high commodity prices, tightening of the global financial conditions, global chain disruptions and uncertainties from both the Russia-Ukraine war and the lingering effects of the Covid-19 pandemic. According to the International Monetary Fund ("IMF"), global growth slowed down from 6.0% in 2021 to 3.2% in 2022 whilst global inflation rose from 4.7% in 2021 to 8.8% in 2022.

For 2022 as a whole, the Malaysian economy recorded an encouraging performance with a Gross Domestic Product ("GDP") growth of 8.7% compared to 3.1% in 2021. The strong GDP growth of 8.7% for 2022 has been supported by a strong economic performance in the fourth quarter of 2022.

Review of Financial Results and Operating Activities

Key Financial Highlights

- Group's revenue which includes revenue of associates and joint venture projects was RM1.1 billion (2021: RM1.2 billion)
- Group's earnings before interest, depreciation, amortisation and tax ("EBITDA") was RM110.3 million (2021: RM113.0 million)
- Group's net profit after tax was RM5.7 million (2021: RM2.5 million)
- Group's net loss after tax and non-controlling interest was RM17.9 million (2021: RM3.4 million)
- Group's basic loss per share was 2.75 sen (2021: 0.71 sen)
- Group's net assets per share stood at RM1.73 (2021: RM2.27)
- Group's net gearing was lower at 0.42 times (2021: 0.51 times)

Dividend

Having considered the economy, business and cash flow positions of the Group, the Board does not recommend any dividend in respect of the financial year ended 31 December 2022, at the forthcoming Annual General Meeting. No dividend was paid in respect of financial year ended 31 December 2022.

Revenue
RM**1.1** billion

EBITDA
RM**110.3** million

Profit After Tax
RM**5.7** million

Review of Core Business Operations Performance and Outlook

Review of the performance and outlook of each division of the Group for the financial year ended 31 December 2022 and the future prospects of the Group are as follows:

Concessions Division

As the Covid-19 pandemic began to subside, the Royal Government of Cambodia had, on 17 March 2022 removed all restrictions on travellers regardless of vaccination status. The number of passengers at the Cambodia Airports surged to 2.38 million for the year 2022 (2021: 0.27 million passengers), representing an increase by 780%. The total number of aircraft movements at the Cambodia Airports also increased accordingly.

On 8 January 2023, the People's Republic of China ("China") lifted its Zero Covid-19 policy and released the Covid-19 pandemic restrictions on foreign travel, ending the quarantine requirements for inbound travellers into China and the three years of self-imposed isolation. With the re-opening of the borders of China, the air traffic movement from China showed good signs of picking up for the first quarter of 2023.

1ST Steel Cut Ceremony for integrated Bekok oil project for Petronas Carigali

Construction and Engineering Division

Geopolitical tensions arising from the Russia-Ukraine conflict exacerbated global supply chain issues driving upwards commodity prices. After Russia's invasion of Ukraine, oil prices rose sharply to USD106 per barrel and global exploration and production ("E&P") spending has since increased in tandem following a recovery of the O&G sector.

In addition, Petroliam Nasional Berhad ("Petronas") has discovered ten (10) O&G fields at the shallow water seabed between East Malaysia and Peninsular Malaysia that will spin off to the next episode of multi-billion dollars E&P capital expenditure by Petronas.

With our well-established track record in O&G sectors over the last two (2) decades, Muhibbah as a consortium lead partner has been awarded 2 contracts by Petronas Carigali Sdn Bhd, a subsidiary of Petronas in August 2022 and December 2022, for the Provision of Procurement, Construction and Commissioning ("PCC") of Module 9 and pipelines for Integrated Bekok Oil Project, Offshore Terengganu, Malaysia and the provision of Engineering, Procurement, Construction and Commissioning ("EPCC") and Installation of Light Weight Structure ("LWS"), Duyong Brownfield Modification and Host Tie-In for Gansar Project, Malaysia worth RM240 million and RM322 million, respectively.

In December 2022, the Company further secured a contract worth RM116.4 million from Institute of Technology Petronas Sdn Bhd, a subsidiary of Petronas, for the construction and completion of student accommodation and student centre at Universiti Teknologi Petronas, Bandar Seri Iskandar, Perak, Malaysia.

In February 2023, the Company successfully secured a contract in the value of RM172.6 million from Penang Development Corporation for the development of office building, factory and parking building at Technoplex Industrial Area, Penang, Malaysia.

Other ongoing projects, include noise barrier enclosures and packages for the Sungai Besi – Ulu Kelang Elevated Expressway and the Damansara – Shah Alam Elevated Expressway, the Light Rail Transit ("LRT") Line 3 from Bandar Utama to Johan Setia, Mass Rail

Transit ("MRT") Line 2 as well as the construction of one unit permanent jetty at Kuala Terengganu Support Base.

The Acid Gas Removal Unit project (including the finalised variation orders) was successfully delivered to PC Myanmar (Hong Kong) Ltd, a wholly-owned unit of Petronas in 2022.

Over the years, we have also focused our business strategies to capture opportunities arising from the changing energy landscape and industry decarbonisation from the Environment, Social and Governance ("ESG") perspective. Our wholly-owned subsidiaries, namely Citech Energy Recovery System Malaysia Sdn Bhd and Citech Energy Recovery Solutions (UK) Ltd ("Citech Group") operates as one-stop solution providers vide the design, manufacturing and commissioning of our patented technology CiBAS, a waste heat recovery unit ("WHRU"). We continue to build our market presence that focus on delivering integrated sustainable solutions to help our customers reduce carbon dioxide ("CO2") emission generated from their operational units such as those on offshore O&G platforms by recycling hot steam as clean energy.

CiBAS has also received international recognition from many big global players and secured orders from O&G global players such as Siemens Energy (Germany), Hyundai Heavy Industries (South Korea), Keppel Fels Limited (Singapore), Technip (France), Petronas Carigali and Chevron (USA). Citech Group has also generated good results in 2022.

As at 29 March 2023, the outstanding secured order book for the construction and engineering division stands at approximately RM1.0 billion with expected delivery between 2024 and 2025.

CIBAS WHRU of Citech Group

Ground Breaking Ceremony - Universiti Teknologi Petronas (UTP), Tronoh Perak

Favelle Favco Group Review

Favelle Favco Group registered a full year's revenue of RM595 million for 2022 compared to RM610 million for 2021, representing a 2.5% marginal decrease in revenue. The Intelligent Automation Group posted a revenue of RM149 million (2021: RM129 million) whilst the crane division posted a revenue of RM446 million (2021: RM481 million).

The combined results provided a profit after tax attributable to owners of Favelle Favco Group of RM39 million in 2022 as compared to RM48 million in 2021, representing a 18.8% decrease. The results were primarily impacted by the cost inflation and supply chain disruptions that resulted from the Russia-Ukraine war as well as reduced output from Covid-19 pandemic disruptions. Nevertheless, the team at Favelle Favco Group did a formidable job to mitigate some of these costs. Many initiatives were carried out to improve design and reduce production costs to place Favelle Favco Group in a better position moving forward.

A. Crane Division

The construction market stayed active during the year. Our dealer network stayed very active in the rental market. Ordering activity for new equipment was not as buoyant. The initial market reaction of our customers towards the Russia-Ukraine conflict was to adopt a wait-and-see approach whilst reviewing all costings of their projects due to cost increase during the year 2022. This led to quite a long period of inactivity. Eventually the oil operators approved their investments towards the end of 2022.

During the year, we made good progress on building our biggest crane. The PC1200 model is capable of lifting 1,200 tonnes and we are certainly confident that we can do more of these large machines for the offshore and onshore wind turbine market.

Additionally, we completed an innovative tower crane climber which will be the first in the world to have articulated legs which can climb off the buildings columns. This will be well accepted in various key markets.

B. Intelligent Automation Division

The Intelligent Automation Group saw an increase in revenue as the maintenance activity in the O&G industry recovered in line with global oil prices.

Favelle Favco Tower Crane for construction of Tun Razak Exchange in Malaysia

Favco PC150 and STD1500 Offshore Cranes Operating on Exxonmobil Marlin B Oil and Gas Platform in Bass Strait Australia

Remote operations have become a prime focus for O&G end users. We have been deploying various new emerging technology in Fourth Industrial Revolution ("IR 4.0") such as cloud, analytics at the edge and these technologies can be utilised to reduce operating expenses. Our customers have benefited immensely in reduction of maintenance costs and manhours as well as better cybersecurity with defence-in-depth architecture.

In search of new businesses, the Intelligent Automation Group have started offering Fuel Cells which are environment friendly and complement our solar wind turbine systems in a push towards increasing our expertise in ESG related systems.

Additionally, we supplied more than 100 units of gas detectors capable of detecting combustible gas, ammonia and carbon monoxide as part of a replacement program for a maintenance package.

As we continued to deliver more IR4.0 systems, we were awarded a project for an Alarm Management System ("AMS") for 15 upstream assets operated by PTT Exploration and Production Public Company Limited ("PTTEP") in Malaysia. The AMS is an essential tool for performance benchmarking across operating fields, aggregating alarm analytics, reporting, alarm rationalization, and metrics to identify problem areas and drive improvements in compliance with process safety standards.

Another key highlight for 2022 was the acquisition of a company called Strata Niaga Sdn Bhd ("Strata"). This acquisition positions Favelle Favco Group to diversify into electrical power sector. In year 2022 alone, about 625 units of portable test equipment were supplied by Strata to Tenaga Nasional Bhd in line with the trend to replace electricity meters to smart meters.

As at 29 March 2023, the Favelle Favco Group have an order book of RM670 million, inclusive of the Intelligent Automation Division, with delivery between 2023 and 2024.

Marine Division

Our shipyard, a wholly-owned subsidiary company, Muhibbah Marine Engineering Sdn Bhd, located at Telok Gong, Port Klang is one of the very few local shipyards shortlisted by Petronas to undertake the construction of a new fleet of offshore support vessels ("OSVs") under the Petronas New Build Program, known as Safina Project.

This division made some non-cash general provision for impairment of RM16 million in 2022 on its ready-built OSVs, which is pending finalisation of charterer contracts between Petronas and vessel suppliers.

Moving forward, our marine division business has positive outlook with trending upward demand for OSVs to support various O&G activities.

Corporate Development

In 2022, Muhibbah successfully raised proceeds of RM120 million pursuant to a renounceable rights issue exercise to have more war chest and further strengthen our balance sheet marching forward.

We are committed to developing a diversified business portfolio of different sectors and geographies for sustainable businesses to create value continuously for our shareholders and provide a recurring income profile.

Solar and Wind Hybrid Renewable Power System, TIMI Gas Field, Malaysia by Intelligent Automation Division

Management Discussion and Analysis (continued)

Muhibbah Marine Engineering's 9-meter RHIB for the Royal Malaysian Navy Undergoing Sea Trial

Future Prospects

Geopolitical developments and macroeconomic uncertainties with further challenges are expected to continue to exert pressure on our operating environment in 2023.

Petronas has just declared its best ever record breaking profit after tax of more than RM101 billion for the financial year ended 31 December 2022. The global natural gas investment is expected to move in an upward trend, including investments that reduce the greenhouse gas intensity of natural gas and its related infrastructure.

Moving forward, there should be more project rollouts and hence create high demand for offshore platform structures, offshore cranes, automation of offshore platforms systems and OSVs for global O&G industry, which are the core businesses of Muhibbah Group's Construction, Cranes, Intelligent Automation and Shipyard Divisions respectively over the next few years. We also forge ahead to deliver cleaner energy solutions.

In addition, the re-opening of the China border will certainly spur growth in the air travel between China and Cambodia. This is another positive development for our Airport Concession Division in Cambodia.

Acknowledgement and Appreciation

The Board and I wish to express our heartfelt appreciation to all our stakeholders for their unwavering support.

On behalf of the MEB Group, I extend my heartfelt thanks to YBhg Chairman Tan Sri Zakaria bin Abdul Hamid and fellow director, Encik Abdul Hamid bin Ibrahim who retired as Independent Non-Executive Chairman and Independent Non-Executive Director, respectively at the conclusion of the Annual General Meeting on 22 June 2022 in accordance to the prescribed requirement by Bursa Securities after having served Muhibbah for more than twelve (12) years. The Board and I also wish to record our appreciation to Mr Ooi Sen Eng, the co-founder and Executive Director, on his retirement. Their immense knowledge and experience have contributed significantly to the success of the Group. We thank all for their invaluable contributions to the Group and wish them well in their new endeavours.

Please join me in welcoming on board YBhg Dato' Khodijah binti Abdullah who joined us on 8 August 2022 as an Independent Non-Executive Director.

Lastly, we thank our valued customers, shareholders, bankers, business associates, subcontractors, suppliers and the various government agencies as well as our employees and the Group's Management for their support, trust, guidance and loyalty. We look forward to your continued support in our journey to achieve greater excellence in the years ahead.

Mac Ngan Boon @ Mac Yin Boon
Group Managing Director

Profile of Directors

Dato' Mohamad Kamarudin bin Hassan

Aged 67, Male, Malaysian
- *Chairman*
- *Senior Independent Non-Executive Director*

Dato' Mohamad Kamarudin bin Hassan was appointed to the Board of Muhibbah Engineering (M) Bhd as an Independent Non-Executive Director and a member of the Audit Committee, Nominating Committee and Remuneration Committee on 15 May 2014. He was redesignated as the Board Chairman and Senior Independent Non-Executive Director of Muhibbah Engineering (M) Bhd on 4 July 2022 and resigned from his position as member of the Audit Committee, Nominating Committee and Remuneration Committee of Muhibbah Engineering (M) Bhd on 8 August 2022.

He graduated with a Bachelor of Economics Degree (Majoring in Business Administration) from the University of Malaya in 1978 and obtained a Diploma in Public Management from Institute Tadbiran Awam Malaysia (INTAN) in 1979. He received a Master's Degree in Business Administration (Majoring in Finance) from Oklahoma City University, USA in 1987.

Dato' Mohamad Kamarudin began his career with the Administrative and Diplomatic Service in 1979 with his first posting to the Macro-economic Division of the Economic Planning Unit in the Prime Minister's Department. In 1987, he was transferred to the Ministry of International Trade and Industry (MITI) where he had served in various divisions of the Ministry. He was then posted to the Malaysian Embassy in Washington DC as the Economic Counsellor from 1992 to 1994. From January 2006 until his retirement on 31 August 2013, he was seconded to Malaysia External Trade Development Corporation (MATRADE) as the Deputy Chief Executive Officer.

He is also an Independent Director in three (3) other public listed companies, namely, Duopharma Biotech Berhad, ManagePay Systems Berhad and Malaysian Pacific Industries Berhad.

Mac Ngan Boon @ Mac Yin Boon

Aged 79, Male, Malaysian
- *Group Managing Director*

Mr Mac Ngan Boon @ Mac Yin Boon is the co-founder of Muhibbah Engineering (M) Bhd and was appointed as the Managing Director of the Company on 22 May 1973. He was a member of the Remuneration Committee from 21 February 2002 until 2 March 2018.

He obtained a Bachelor of Engineering (Civil) Degree from the University of Western Australia in 1967. He is also a professional engineer with the Institute of Engineers Malaysia. He started work as a construction engineer in 1967. He has been the Chairman of the Machinery and Equipment Manufacturers Association of Malaysia (MEMA) since 1998 and the Chairman of the Machinery and Engineering Industries Federation (MEIF) since 2016.

He is also an Executive Director of Favelle Favco Berhad, a subsidiary of Muhibbah Engineering (M) Bhd listed on the Main Market of Bursa Malaysia Securities Berhad.

Profile of Directors (continued)

Mac Chung Jin

Aged 49, Male, Malaysian
- *Executive Director/ Deputy Chief Executive Officer*

Mr Mac Chung Jin was appointed as Executive Director of Muhibbah Engineering (M) Bhd on 15 May 2014. He was Alternate Director to Mr Ooi Sen Eng from 2 May 2008 to 15 May 2014. He holds a Bachelor of Civil Engineering Degree from Oxford Brookes University, United Kingdom. He joined Muhibbah Engineering (M) Bhd in 1995 as a Project Engineer and was promoted to Head of Business Development in 1999, spearheading local and international projects. He was appointed as Deputy Chief Executive Officer of the Company on 2 September 2013. He is currently also Chairman of the Risk Management Committee of Muhibbah Group.

Shirleen Lee Poh Kwee

Aged 57, Female, Malaysian
- *Group Finance Director*

Ms Shirleen Lee Poh Kwee was appointed as Group Finance Director to the Board of Muhibbah Engineering (M) Bhd in 2014. She is also a member of the Risk Management Committee of Muhibbah Group.

Prior to joining Muhibbah Group, she was a Senior Auditor with an international accounting firm, KPMG with experience in statutory audit, special audit, due diligence, strategic tax planning and compliance services.

She joined Muhibbah Group in 1993 as Group Chief Financial Officer to spearhead Muhibbah Group's corporate banking and treasury management, corporate finance and development, mergers and acquisitions, financial management reporting, tax planning, corporate affairs and investor relations as well as the Group's investment strategy and appraisal.

Ms Shirleen Lee is a fellow member of the Association of Chartered Certified Accountants, United Kingdom and a Chartered Accountant with the Malaysian Institute of Accountants. She is also a Certified Financial Planner of the Financial Planning Association of Malaysia.

Ms Shirleen Lee is also the Group Finance Director of Favelle Favco Berhad, a subsidiary of Muhibbah Engineering (M) Bhd listed on the Main Market of Bursa Malaysia Securities Berhad.

Sobri bin Abu

Aged 70, Male, Malaysian

- *Independent Non-Executive Director*
- *Chairman of the Audit Committee*
- *Member of the Remuneration Committee and Nominating Committee*

Encik Sobri bin Abu was appointed to the Board as an Independent Non-Executive Director on 27 June 2013. He was further appointed as a member of the Audit Committee as well as the Remuneration and Nominating Committees on 28 August 2013 and redesignated as Chairman of the Audit Committee on 2 March 2018.

Encik Sobri's career spans more than thirty (30) years in the oil and gas industry. He worked not only for major international oil companies, such as ExxonMobil and PETRONAS but also major international engineering construction companies like Babcock King Wilkinson (UK) Ltd of the United Kingdom, Stone and Webster Construction, Inc of the United States of America, Petrofac Engineering and Construction of the United Arab Emirates and local engineering companies including Sumatec Engineering Bhd and Ranhill WorleyParsons of Malaysia.

He is also an Independent Director of Favelle Favco Berhad, a subsidiary of Muhibbah Engineering (M) Bhd listed on the Main Market of Bursa Malaysia Securities Berhad.

Dato' Sri Khazali bin Haji Ahmad

Aged 68, Male, Malaysian

- *Independent Non-Executive Director*
- *Member of the Audit Committee*
- *Chairman of the Nominating Committee and Remuneration Committee*

Dato' Sri Khazali bin Haji Ahmad was appointed to the Board of Muhibbah Engineering (M) Bhd as an Independent Non-Executive Director on 16 April 2018. Subsequently, he was appointed as a member of the Audit Committee, Chairman of the Nominating Committee and Remuneration Committee on 8 August 2022.

He graduated with a Bachelor of Economics Degree from University Kebangsaan Malaysia in 1980 and obtained a Diploma in Public Administration from Institute Tadbiran Awam Malaysia (INTAN) in 1981. He received a Master's Degree in Economics from the University of Central Oklahoma, USA in 1991. He was the recipient of the Excellence Service Awards in 2003 and 2006 by the Ministry of Finance. He was also awarded the Asia Tax Commissioner of the year 2015 for his excellent leadership in the Royal Malaysian Customs (Customs), particularly in the implementation of Goods and Services Tax.

Dato' Sri Khazali began his career as Assistant Director in the Public Service Department Malaysia in 1981. He was subsequently posted to the International Trade Division of the Ministry of International Trade and Industry (MITI) where he held various positions before he was transferred to the Tax Analysis Division under the Ministry of Finance in 1997 and became Section Chief in the Division from 2005 to 2007. Between 2007 and 2008, he served as Special Functions Officer to the Chief Secretary to the Government in the Prime Minister's Department. In early 2009, Dato' Sri Khazali was appointed as a Deputy Director General of Customs. His last held position before his retirement in 2017 was Director General of Customs.

He is an Executive Director of Cuscapi Berhad and Independent Director and Audit Committee member of Favelle Favco Berhad and Shangri-La Hotels (Malaysia) Berhad. He is also the Chairman of the Nomination and Remuneration Committee in Favelle Favco Berhad and Shangri-la Hotels (Malaysia) Berhad.

Profile of Directors (continued)

Dato' Khodijah binti Abdullah

Aged 65, Female, Malaysian
- *Independent Non-Executive Director*
- *Member of the Audit Committee, Remuneration Committee and Nominating Committee*

Dato' Khodijah binti Abdullah was appointed to the Board of Muhibbah Engineering (M) Bhd as an Independent Non-Executive Director and a member of the Audit Committee, Nominating Committee and Remuneration Committee effective from 8 August 2022.

She graduated with a Bachelor of Science in Agriculture and Agribusiness from University of Agriculture of Malaysia in 1981 and obtained a Diploma in Public Administration from Institute Tadbiran Awam Malaysia (INTAN) in 1982. She further received Masters' Degree in International Taxation with the Harvard Law School and Public Administration with the Kennedy School of Government from Harvard University, USA in 1997.

Dato' Khodijah Abdullah had served in various capacities in the Malaysian Administrative and Diplomatic service for 36 years from 1983 to 2018. She began her career in the Industries Division of the Malaysian Ministry of International Trade and Industries (MITI). Subsequently, she was transferred to the Taxation Division under the Ministry of Finance (MOF) in 1989. She was appointed as a member of the Tax Reform Committee of the Ministry of Finance of Malaysia effective from 1 September 2019 to 31 December 2020. Her versatile skills, knowledge, and experience span from financial analysis in evaluating and recommending applications for manufacturing licenses and tax incentive packages as well as in formulating taxation policies and negotiating international trade and taxation agreements for Malaysia at bilateral and multilateral levels.

She was also as a member of the Board of Directors and the Chairman of Audit Committee of various statutory bodies and Malaysian Government Linked Companies namely the Inland Revenue Board of Malaysia, the Labuan Financial Services Authority and etc. She is a member of board of Trustees of The Cardiac Vascular Sentral Kuala Lumpur (CVSKL) Foundation effective from 4 January 2022.

Mazlan bin Abdul Hamid

Aged 60, Male, Malaysian
- *Non-Independent Non-Executive Director*

Encik Mazlan bin Abdul Hamid was appointed to the Board of Muhibbah Engineering (M) Bhd on 15 May 2014 as a Non-Independent Non-Executive Director.

He obtained a Diploma in Engineering from the University of Mara Technology in 1984 and attended an Advanced Metallurgy course in the United Kingdom in 1985. In the same year, he started his career as a project coordinator in DNT (M) Sdn Bhd. He then joined SCS Petrotechnical (M) Sdn Bhd and was seconded to Sarawak Shell Berhad. Thereafter, he joined Bureau Veritas (M) Sdn Bhd as Surveyor and Marketing Manager. He joined Favelle Favco Cranes (M) Sdn Bhd in 1996 as the Sales & Marketing General Manager and has played a key role in penetrating the international cranes manufacturing market.

Encik Mazlan is also an Executive Director of Favelle Favco Berhad, a subsidiary of Muhibbah Engineering (M) Bhd listed on the Main Market of Bursa Malaysia Securities Berhad.

Profile of Key Senior Management

Mac Chung Hui

Aged 44, Male, Malaysian
- *Managing Director/ Chief Executive Officer of Favelle Favco Berhad, A subsidiary of Muhibbah Engineering (M) Bhd listed on the Main Market of Bursa Malaysia Securities Berhad*

Mr Mac Chung Hui was appointed as Chief Executive Officer of Favelle Favco Berhad ("FFB") on 5 May 2004. He was redesignated as Managing Director on 26 August 2013. He holds a Bachelor of Civil Engineering degree from the University of Nottingham, United Kingdom. He joined FFB as Supervisory Board Member in 1999 and was responsible in assisting the Managing Director in the execution of operational decisions of the FFB Group. He has also been overseeing the production and operation of Favelle Favco Cranes Pty Limited ("FFA") and Favelle Favco Cranes (M) Sdn Bhd ("FFM") over the past twenty-one (21) years.

He has no directorships in other public listed companies and listed issuers. He is the son of Mr Mac Ngan Boon @ Mac Yin Boon, the Managing Director and major shareholder of the Company. He has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years, nor any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Ooi Kien Chuan

Aged 71, Male, Malaysian

Mr Ooi Kien Chuan joined Muhibbah Marine Engineering Sdn Bhd ("MME") initially as a Shipyard Manager in 1995. He was appointed as the General Manager and subsequently appointed as a Director in 2015 in the shipyard subsidiary to spearhead the Group's shipyard operation which includes shipbuilding, ship repairs and other marine engineering services.

He started his working career in 1970. Prior to joining MME in 1995, he gained hands-on knowledge and experience in various capacities in the maritime oil & gas and shipyard industries in Singapore, Brunei and Malaysia. He obtained a Diploma in Management from the Malaysian Institute of Management (MIM) in 1990.

Mr Ooi has no directorships in other public listed companies and listed issuers. He does not have family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years, nor any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Other Information

Additional Information on Directors

1. **Family Relationship with any Director and/or major shareholder of Muhibbah Engineering (M) Bhd**
None of the Directors have any relationship with each other and/or major shareholders of Muhibbah Engineering (M) Bhd except Mac Chung Jin. Mac Chung Jin is the son of Mac Ngan Boon @ Mac Yin Boon, the Managing Director and major shareholder of the Company.

2. **Conflict of Interest**
None of the Directors have any conflict of interest with the Company

3. **Convictions for Offences within the past 5 years, other than traffic offences**
None of the Directors have been convicted for offences.

Additional Compliance Information

1. **Utilisation of Proceeds from Corporate Proposals**
The Company raised RM120.9 million from the Rights Issues and have been utilised in the following manner as at 23 August 2022.

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Balance utilised RM'000
Partial repayment of interest-bearing borrowings	96,689	96,689	-
General working capital requirements	23,272	23,272	-
Estimated expenses in relation to the Rights Issue of Shares	900	900	-
Total	120,861	120,861	-

2. **Fees for services rendered by External Auditors**
The amount of fees payable/paid to the Company's external auditors for the financial year ended 31 December 2022 were as follows:

	Group RM'000	Company RM'000
Audit services	667	222
Non-audit services		
- Tax compliance	43	19
- Others	40	20
	750	261

3. **Material Contracts**
Save for the recurrent related party transactions disclosed under item 4, there were no material contracts entered into by the Company and its subsidiaries involving the interests of Directors and major shareholders, either still subsisting as at 31 December 2022 or entered into since the end of the previous financial year ended 31 December 2021.

4. Recurrent Related Party Transactions

At the Annual General Meeting held on 22 June 2022, the Company obtained shareholders' mandate allowing MEB Group to enter into recurrent related party transactions of a revenue or trading nature as disclosed in the Circular to Shareholders dated 27 April 2022. In accordance with Section 3.1.5 of Practice Note No. 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of recurrent related party transactions conducted during the financial year ended 31 December 2022 pursuant to the shareholders' mandate are disclosed as follows:-

Transacting Parties	Related Party	Nature of Transactions	Actual Transaction Value for the Financial Year Ended 31 December 2022 RM'000
MEB Group and FFB Group	Mac Ngan Boon @ Mac Yin Boon, Mac Chung Hui, Mac Chung Jin and Mazlan bin Abdul Hamid	Sales of cranes and parts and rental of cranes, plant and equipment and barges by MEB Group to FFB Group; and subcontracting work awarded by FFB Group to MEB Group	5,790
		# Rental of plant and equipment and scaffolding service by FFB Group to MEB Group	7
		# Rental of factory and office premises located at Lot 9895, Geran #26559, Kg. Jawa, Mukim of Klang, State of Selangor by MEB Group to FFB Group, measuring 5.0 acres	618
		# Rental of office space under Lot 586, 2nd Mile, Jalan Batu Tiga Lama by MEB Group to FFB Group, measuring 4,500 sq. ft.	88
		# Rental of land located at PN 109083 Lot No. 104626 Mukim and district of Klang, State of Selangor measuring in area approximately 36,000 square metres by MEB Group to FFB Group	1,462
		Shared services expenses/charges by MEB Group to FFB Group which includes amongst others legal, information technology and internal audit by MEB Group to FFB Group	2,474
		Purchase of goods and services, rental of cranes, plant and equipment by MEB Group from FFB Group; and subcontracting work awarded by MEB Group to FFB Group	2,547

\# *Tenancies are for terms not exceeding three (3) years with rentals payable on a monthly basis.*

Abbreviations

"MEB"	: Muhibbah Engineering (M) Bhd
"MEB Group"	: MEB and its subsidiaries collectively
"FFB"	: Favelle Favco Berhad
"FFB Group"	: FFB and its subsidiaries collectively

Corporate Governance Overview Statement

Introduction

The Board of Directors ("**the Board**") is committed towards ensuring that good corporate governance ("**CG**") is observed throughout the Group. Upholding integrity and professionalism in its management of the affairs of the Group, the Board aims to enhance business prosperity and corporate accountability with the ultimate objective of realising long-term shareholders' value and safeguarding interests of other stakeholders.

This Corporate Governance Overview Statement ("**CG Overview Statement**") describes how the Group has applied the principles set out in the Malaysian Code on Corporate Governance 2021 ("**MCCG 2021**") issued by the Securities Commission of Malaysia and except where stated otherwise, its compliance with the recommended practices of the MCCG 2021 for the financial year ended 31 December 2022.

This CG Overview Statement is also prepared in compliance with Paragraph 15.25(1) of the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and should be read together with the CG Report of the Company which is published on the Company's website at www.muhibbah.com.

The Board is pleased to present this CG Overview Statement to provide an overview of the CG practices adopted by the Company in achieving the intended outcomes as set out in the MCCG 2021 with reference to the following three (3) key principles under the stewardship of the Board:-

a) Principle A: Board Leadership and Effectiveness;
b) Principle B: Effective Audit and Risk Management; and
c) Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board of Directors

Duties and Responsibilities of the Board

The Board assumes the following principal roles and responsibilities in discharging its fiduciary and leadership functions:

- Oversee the conduct of the Group's businesses and financial performance to determine if the business is being properly managed and provide stewardship in monitoring that the businesses are aligned with the Group's long and short-term objectives and goals;
- Review and adopt strategic plans/directions of the Company and its Group and to monitor the implementation of such plans/directions by the Management;
- Review and adopt financial results of the Company and the Group as well as review the adequacy of financial information disclosure;
- Review the conduct and performance of major projects to determine whether they are properly managed;
- Assess and review principal risks affecting the Group and supervise the implementation of appropriate systems or processes to manage such risks effectively. Details of the processes are set out in the Statement on Risk Management and Internal Control;
- Ensure there is sound framework for internal controls and risk management;
- Review related party transactions;
- Establish and implement succession planning for the Directors and the Group's key senior management for the purpose of business continuity. This includes ensuring implementation of appropriate systems for recruitment, training and retention;
- Review and adopt corporate strategy, business plans, major investment and financing plans; and
- Review material litigations, Group's order book, debt collection status, capital expenditure, borrowing and cash statuses.

The Board has delegated specific responsibilities to the committees to assist the Board in the effective operation and governance of the Group. The functions and the authority delegated by the Board have been defined in the Terms of Reference of the respective committees. These committees are the Audit Committee, Nominating Committee and Remuneration Committee. In addition, the Board is also assisted by a Risk Management Committee which comprises members of the Board and Senior Management.

Board Charter

The Board has adopted a Board Charter which sets out the roles and responsibilities of the Board, the division of authority and responsibilities of the Board and Management, terms of reference and composition of Board Committees as well as other administrative policies and procedures in relation to the operation of the Board as a whole.

The Board Charter is available on the Company's website at www.muhibbah.com.

Composition and Balance

The Board is well balanced with Executive and Non-Executive Directors. Currently, the Board consists of eight (8) members, comprising four (4) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and three (3) Executive Directors. As such, half of the Board comprises Independent Directors. This present composition complies with Paragraph 15.02 of the MMLR of Bursa Securities and the MCCG 2021.

The Board is a firm believer in promoting Board diversity policy in its membership and strives to maintain the right balance for effective functioning of the Board. The Company Directors are professionals in the fields of construction and engineering, oil and gas, finance and accounting and experienced senior public administrators. Together, they bring a wide range of competencies, capabilities, technical skills and relevant business experience to ensure that the Group continues to be a competitive leader within its diverse industry segments with a strong reputation for technical and professional competence.

The current Board composition and diversity in terms of each of the Director's industry and/or background experience, age, ethnic and gender composition are as follows:-

	Industry Experience & Skills			Age Composition				Ethnic Composition		Gender	
	Construction, Engineering and Energy/ Oil & Gas	Public Services	Audit, Accounting, Finance & Tax	40 to 49 years	50 to 59 years	60 to 69 years	70 to 80 years	Bumi-putera	Non-Bumi-putera	Male	Female
Dato' Mohamad Kamarudin bin Hassan		√	√			√		√		√	
Mac Ngan Boon @ Mac Yin Boon	√						√		√	√	
Mac Chung Jin	√			√					√	√	
Shirleen Lee Poh Kwee			√		√				√		√
Sobri bin Abu	√	√					√	√		√	
Dato' Sri Khazali bin Haji Ahmad						√		√		√	
Dato' Khodijah binti Abdullah		√	√			√		√			√
Mazlan bin Abdul Hamid	√					√		√		√	

The Board believes that the current composition and board diversity are appropriate given the nature of the Group's businesses and scale of operations. Profiles of the Directors are presented in this Annual Report.

The Executive Directors are generally responsible for making and implementing operational decisions whilst the Non-Executive Directors support the skills and experience of the Executive Directors, contributing to the formulation of policy and decision-making with their knowledge and experience in other business sectors.

A Senior Independent Non-Executive Director of the Company leads the Board, to whom concerns of the Group may be conveyed. The Chairman manages the Board's effectiveness by focusing on strategy, governance and compliance.

Division of roles and responsibilities between Chairman and Managing Director

The Board subscribes to the principle that clear division of responsibilities between the Chairman of the Board and the Managing Director is beneficial to facilitate a check and balance mechanism for the effective functioning of the Board. The Chairman of the Board, Dato' Mohamad Kamarudin bin Hassan who is a Senior Independent Non-Executive Director leads the Board in overseeing the management while Mr Mac Ngan Boon @ Mac Yin Boon as the Group Managing Director focuses on the business and the day-to-day management of the Group. Such separation of roles and positions promotes accountability and ensures that there is a balance of power and authority in the Board's overseeing the management of the Company.

Company Secretaries

The Board is supported by the Company Secretaries who are qualified under the Companies Act 2016. The Company Secretaries advise the Board on CG related matters and ensure the Board adheres to the relevant rules and regulatory requirements as well as Board's policies and procedures.

The appointment of the Company Secretary is based on the capability and proficiency determined by the Board. The Company Secretaries are responsible for ensuring that the secretarial function provides adequate support to the Board and the Board committees. The Company Secretaries are accessible at all times to provide the Directors with the appropriate advice and services and also to ensure that the relevant procedures, policies and all applicable rules and regulations are complied with. As permitted by the Constitution of the Company, the removal of the Company Secretary is a matter for the Board as a whole.

Board Meetings

Board meetings are held at regular intervals with additional meetings convened as and when necessary. Board meetings for each financial year are scheduled before the end of the previous financial year so as to enable the Directors to plan their schedules accordingly. During the financial year under review, the Board met four (4) times to review the Group's operations, review and approve the quarterly financial results and the relevant operational strategic matters requiring the Board's approval. The Company Secretary records in the minutes of Board meetings all the deliberations, particularly the issues discussed in reaching that decision. Directors have complied with the minimum requirement of 50% attendance at Board meetings as stipulated in the MMLR of Bursa Securities.

Details of the Directors' attendance at the Board meetings held during the financial year under review are as follows:

Names of Directors	Attendance at Meetings in 2022
Dato' Mohamad Kamarudin bin Hassan	4/4
Tan Sri Zakaria bin Abdul Hamid (retired on 22 June 2022)	2/2
Mac Ngan Boon @ Mac Yin Boon	4/4
Ooi Sen Eng (retired on 22 June 2022)	2/2
Abd Hamid bin Ibrahim (retired on 22 June 2022)	2/2
Sobri bin Abu	4/4
Mac Chung Jin	4/4
Shirleen Lee Poh Kwee	4/4
Mazlan bin Abdul Hamid	4/4
Dato' Sri Khazali bin Haji Ahmad	4/4
Dato' Khodijah binti Abdullah (appointed on 8 August 2022)	2/2

All Board members are required to declare their respective directorships in other companies to the Board and are expected to devote sufficient time and attention to carry out their roles and responsibilities as Directors. The Board is of the opinion the requirements under the Companies Act 2016 and MMLR of Bursa Securities are sufficient to ensure adequate commitment by the Directors to perform their duties, including devoting sufficient time to the Company without it being formally regulated. This is evidenced by the Directors' attendance at Board meetings as shown above. Schedule for the Company's Board meeting was formulated and shared with the Directors prior to the beginning of each financial year to ensure the Directors' commitment.

Access to Information and Advice

Due notice is given to the Directors prior to each Board and Board Committee meeting. All Directors are provided with the agenda and Board papers which include minutes of meetings, details of operational, financial, safety and corporate developments and other relevant documents prior to each Board meeting so as to enable the Directors to make well-informed decisions on matters arising at the meetings. It is the primary responsibility of the Chairman of the Board to organise such information necessary for the Board to deal with the agenda and the Board adopts a formal schedule of matters specifically referred to it for decision.

Furthermore, the Board is regularly kept updated and informed of any regulations and guidelines as well as amendments thereto issued by regulators, particularly the effects of such new and amended regulations and guidelines on directors specifically, and the Company and the Group generally.

In addition, the Directors have authority to access all information within the Company in furtherance of their duties as well as to seek the advice and services of the Company's senior management. They are also empowered to seek external independent professional advice in connection with their role as Directors at the Company's expense so as to enable them to make well-informed decisions.

Code of Conduct

The Board is committed to ensure that all its business activities operate within the good standards of business ethics and integrity as summarised in the Company's code on business practices, which are applicable Group-wide. The key principles of the Company's code on business practices include avoiding conflict of interest situations, insider trading, unethical practices, exercising caution and due care in safeguarding the Company's assets and confidential information.

The Code of Ethics and Business Practice and Conduct is available on the Company's website at www.muhibbah.com.

Anti-Bribery and Corruption Policy

In line with the requirements of the Guidelines on Adequate Procedures issued pursuant to Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 which comes into effect on 1 June 2020, the Board has adopted the Group's Anti-Bribery and Corruption Policy which sets out information and practical guidelines to all Directors and employees of the Group in relation to the Group's core values and expectations, as well as the policies and procedures in dealing with bribery and corruption matters.

The Board is committed to ensuring that the policies and procedures are reviewed periodically to assess their effectiveness, and in any event, at least once every three (3) years.

The Anti-Bribery and Corruption Policy is available on the Company's website at www.muhibbah.com.

Whistleblower Policy

The Group's Whistleblower Policy provides avenues for employees and stakeholders of the Group to raise legitimate concerns relating to potential breaches of business conduct, non-compliance with legal and regulatory requirements as well as other malpractices.

The Whistleblower Policy is available on the Company's website at www.muhibbah.com.

Sustainability

The Board views the commitment to sustainability and environment, social and governance performance as part of its broader responsibility to clients, shareholders, workplace and the communities in which the Group operates. Every business decision that the Group makes pertaining to growth and profitability is consistent with its social and environmental needs for sustainability. The corporate responsibility initiatives undertaken by the Company for the financial year ended 31 December 2022 are disclosed in the Sustainability Statement of this Annual Report.

II. Board Committees

The following committees have been established to assist the Board to discharge its duties and responsibilities. The Board has delegated certain powers and duties to these committees, which operate within the defined Terms of Reference. The final decision on all matters, however, lies with the entire Board. During the Board meetings, the Chairman of the various Board committees will present the respective committee's recommendations and seek Board approval, where appropriate.

The Board Chairman is neither a member nor the Chairman of the Audit Committee, Nominating Committee and Remuneration Committee. No single director can influence decision making and policies of the Board Committee and Board. The decision-making process of the Board Committee is collectively made in accordance with Terms of References of each committee. The unanimous decisions made by the respective committees are tabled to the Board by the Chairman of the various Board committees for further deliberations before decisions are made by the Board.

a) Audit Committee

The present members of the Audit Committee are as follows:

Name of Committee Members	Designation
Sobri bin Abu	Chairman *(Independent Non-Executive Director)*
Dato' Sri Khazali bin Haji Ahmad	Member *(Independent Non-Executive Director)*
Dato' Khodijah binti Abdullah	Member *(Independent Non-Executive Director)*

The principal objective of the Audit Committee is to assist the Board in carrying out its statutory duties and responsibilities relating to the accounting and reporting practices of the Group. This includes reviewing the quarterly financial results to be disclosed, the scope of works and management letter of the external auditors as well as undertaking any such other functions as may be determined by the Board from time to time.

The Audit Committee consists exclusively of Independent Non-Executive Directors. The Audit Committee met four (4) times during the year under review.

A report detailing the membership, attendance, roles, and activities of the Audit Committee is presented in the Audit Committee Report of this Annual Report.

b) Nominating Committee

The present members of the Nominating Committee are as follows:

Name of Committee Members	Designation
Dato' Sri Khazali bin Haji Ahmad	Chairman *(Independent Non-Executive Director)*
Sobri bin Abu	Member *(Independent Non-Executive Director)*
Dato' Khodijah binti Abdullah	Member *(Independent Non-Executive Director)*

The Nominating Committee met once during the financial year 2022. In accordance with its Terms of Reference, the Nominating Committee reviewed the Board structure, size and composition in the Board to ensure that the Board has the appropriate mix of skills, experience and other core competencies in fulfilling the relevant requirements or guidelines of Bursa Securities.

The Nominating Committee had carried out the following key activities during the financial year under review in discharging its duties:-

- Reviewed and assessed the independence and performance of each Independent Director in bringing independent and objective judgement for Board's deliberation. All assessments and evaluations carried out by the Nominating Committee were properly documented whereby the Nominating Committee was satisfied by the level of independence demonstrated and performance of all the Independent Directors;

- Reviewed the existing balance, size, composition, mix of skills, diversity (including gender, ethnicity and age diversity) and effectiveness of the Board and its committees as whole, the performance of individual Directors and Audit Committee members through an evaluation survey questionnaire known as Board and Board Committees Assessment Questionnaire. The duly completed questionnaire was compiled and used as guidance for the recommendation of appropriate actions for further improvement; and

- Identified and recommended to the Board, the Directors who were due for retirement by rotation subject to re-election at the forthcoming Annual General Meeting.

The Nominating Committee's Terms of Reference is available on the Company's website at www.muhibbah.com.

c) Remuneration Committee

The present members of the Remuneration Committee are as follows:

Name of Committee Members	Designation
Dato' Sri Khazali bin Haji Ahmad	Chairman *(Independent Non-Executive Director)*
Sobri bin Abu	Member *(Independent Non-Executive Director)*
Dato' Khodijah binti Abdullah	Member *(Independent Non-Executive Director)*

The Remuneration Committee met once during the financial year 2022. In accordance with its Terms of Reference, the Remuneration Committee reviewed the remuneration packages of the Executive Directors in accordance with their performance, contribution and level of responsibilities undertaken for the Board and benchmarked against other companies in similar industries to ensure that the Company's remuneration packages remain competitive to attract and retain high calibre executives to run the Company successfully. Directors do not participate in deliberations and decisions on their own remuneration.

Although the Group does not have written remuneration policies, remuneration comparison for similar positions with other Malaysian public listed companies operating in similar industries is performed on an annual basis so as to ensure that the remuneration packages of the Directors remain competitive with the market and is reflective of their respective duties and responsibilities.

The Remuneration Committee's Terms of Reference is available on the Company's website at www.muhibbah.com.

III. Board Evaluation

The process of assessing Directors is an ongoing responsibility of the entire Board. For the financial year under review, the Board assisted by the Nominating Committee, reviewed the skills and experience of the individual Directors and assessed the effectiveness of the Board as a whole.

The Board was satisfied with the performance and effectiveness of the Board and Board Committees who have discharged their duties and responsibilities effectively. The Board evaluation criteria was reviewed by the Nominating Committee during the financial year.

The Board evaluation comprises Board and Board Committees assessments as well as an assessment on the independence of Independent Directors and the contribution of each individual Director which are conducted on an annual basis. The evaluation process which is led by the Nominating Committee and supported by the Company Secretary, involve the individual Directors and committee members completing a set of evaluation questionnaires on a yearly basis regarding the processes of the Board and its committees, their effectiveness and where improvements could be considered by the Company. Based on the outcome of evaluations, the Nominating Committee shall recommend to the Board the areas requiring continuous improvement and form a basis for recommending the directors due for re-election.

The criteria for assessing the independence of an Independent Director includes assessing their respective relationship with the Group and their involvement in any significant transaction with the Group. The Board also undertook a self-assessment in which they assessed their own performance.

IV. Appointment, Re-appointment and Re-election of Directors

In accordance with the Company's Constitution, one-third (1/3) of the Directors (including the Managing Director) shall retire from office and be eligible for re-election at each Annual General Meeting and all Directors shall retire from office at least once in every three (3) years but shall be eligible for re-election. Directors appointed during the year will be subject to retirement and re-election by shareholders at the Annual General Meeting.

The Board believes that diversity in the Board's composition will bring value to Board deliberation. The Board recognises the benefit of diversity in gender and hence gender had been inherently considered in the recruitment and appointment of Directors. The Board has two (2) women Directors and the Board is comfortable with its current composition. Nevertheless, to ensure effective appointment of female Directors, the Board does not set any specific target for female Directors but continue to work actively towards having more female Directors on the Board, all things being equal.

V. Reinforcement of Independence

The Board acknowledges the importance of Independent Non-Executive Directors in bringing objectivity and impartiality in providing unbiased opinion and judgment to ensure that the interests of the Group, shareholders, customers and other stakeholders are taken into account during its decision making process. The Board consists of four (4) Independent Directors who were neither involved in the business transactions nor participated in the day-to-day management of the Group. The Independent Directors satisfy the definition set out in the MMLR of Bursa Securities. The Company meets the requirement prescribed by the MMLR of Bursa Securities to have at least one-third (1/3) of its Board members being Independent Directors and the MCCG 2021 recommendation to have at least half of the Board comprising Independent Directors.

During the financial year 2022, two (2) Board members, Tan Sri Zakaria bin Abdul Hamid and Encik Abdul Hamid bin Ibrahim who have served as Independent Directors for more than twelve (12) years retired at the conclusion of the Annual General Meeting on 22 June 2022 before 1 June 2023 in accordance to the requirement prescribed by the MMLR of Bursa Securities.

Each Independent Director is responsible to notify the Board of any changes to the circumstances or development of any new interest or relationship that would affect their independence as an Independent Director of the Company.

The Board takes cognisance of Practice 5.3 of the MCCG 2021 that the tenure of an Independent Director should not exceed a cumulative term limit of nine (9) years. The Board is of the view that the ability of long serving Independent Directors to remain independent and to discharge their duties with integrity and competency should not be measured solely by tenure of service or any pre-determined age. Nevertheless, the Board will seek annual shareholders' approval through a two-tier voting process to retain Independent Director who served on the Board for more than nine (9) years.

The Board continues to strike an appropriate balance between tenure of service and continuity of experience of the Board. However, such change will take some time in order to maintain stability to the Board. Furthermore, the Company acknowledged the benefits from the Independent Directors who have, over time, gained invaluable insights into the Group, its market and the industry.

VI. Directors' Training

The Board is cognisant of the value add that the Directors can bring when they are kept up to date with the industry and regulatory development. All the Directors have attended and successfully completed the Mandatory Accreditation Programme as prescribed by Bursa Securities. During the financial year, seminars and training programmes attended include topics relating to corporate governance, risk management, corporate strategy, finance, taxation and new legislations. Training for Directors will be provided continuously so as to ensure that they are kept abreast with the latest developments in relevant laws, regulations and business practices and to enable them to discharge their duties effectively.

An induction briefing is provided by the Board and Senior Management to any newly appointed Independent Non-Executive Directors to provide them with in-depth knowledge of the Group's businesses and strategies.

The seminars, training programmes, conferences and forums attended by the Directors during the financial year under review include the following:-

	Name of Directors							
	Dato' Mohamad Kamarudin bin Hassan	Mac Ngan Boon	Mac Chung Jin	Shirleen Lee Poh Kwee	Sobri bin Abu	Dato' Sri Khazali bin Haji Ahmad	Dato' Khodijah binti Abdullah	Mazlan bin Abdul Hamid
Global CFO Forum 2022	√			√			√	
Fraud Prevention and Detection	√							
Advocacy Sessions for Directors and Senior Management of Main Market Listed Issuers		√		√				
Domestic Investment Seminar 2022			√		√			
Key Amendments to Listing Requirements 2022				√				
PhillipCapital 12th Investment Conference 2022 - Investment Strategies in a VUCA World				√				
Invest Malaysia Kuala Lumpur 2022: Pivoting for the Future-Series 2: The Road to EV				√				
Mandatory Accreditation Programme							√	
ESG and Climate Trends to Watch for in 2023								√
ESG Phase 1 Project Update-Introduction to ESG and Climate						√		
Fundemental Distruption of Assets Management and Securities						√		
Introduction to Metaverse						√		

VII. Directors' Remuneration

The details of the remuneration of the Directors of the Company for the financial year under review are as follows:

The Company

	Salaries RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000
Executive Directors	2,126	168	307	2,601
Non-Executive Directors	-	260	65	325
Total	2,126	428	372	2,926

Other Related Companies

	Salaries RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000
Executive Directors	183	288	735	1,206
Non-Executive Directors	580	182	389	1,151
Total	763	470	1,124	2,357

In compliance with practices 8.1 and 8.2 of the MCCG, there is detailed disclosure on named basis for the remuneration of individual Directors and it is disclosed in the Corporate Governance Report, which can be downloaded from the Company's corporate website at www.muhibbah.com.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee ("**AC**") comprises three (3) members who are Independent Non-Executive Directors and is chaired by Sobri bin Abu. All members of the AC possess the required skills and experiences to discharge their duties and responsibilities effectively. None of the members were former key audit partner for the Company or the Group in the past three (3) years.

Further details of the AC and its activities are set out in the Audit Committee Report of this Annual Report.

II. Relationship with the Auditors

Through the AC, the Group has established a transparent and appropriate relationship with the Group's auditors, both internal and external. The internal auditors report directly to the AC and details of their activities are provided in the Audit Committee Report. Both the internal and external auditors are invited to attend the AC meetings to facilitate the exchange of views on issues requiring attention. The external auditors are also invited to attend meetings on special matters, when necessary. In addition, the AC also meets the external auditors, without the presence of Executive Board members and Management, at least twice a year.

The external auditors have declared that they are independent and do not have any conflict of interest to carry out the audits and provision of non-audit services to the Group.

III. Internal Audit Function

Details of the Internal Audit Function and activities are set out in the Audit Committee Report of this Annual Report.

IV. Recurrent Related Party Transactions

The Board, through the AC, reviews the recurrent related party transactions.

All recurrent related party transactions entered into by the Group were made in the ordinary course of business and in accordance with the approved shareholders' mandate for recurrent related party transactions.

V. Risk Management Framework and Internal Control

The Group's Statement on Risk Management and Internal Control presented in this Annual Report provides an overview of the risk management framework and state of internal control within the Group.

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

I. Corporate Disclosure Policy

The Company is committed to ensuring that all information such as corporate announcements, circulars to shareholders and financial results are disseminated to the general public in a timely and accurate manner.

The Company releases all announcements, material and price sensitive information in a timely manner to Bursa Securities as required under the MMLR of Bursa Securities as well as releases the Company's updates to the market and community through the Company's website, media releases and other appropriate channels.

The Executive Directors evaluate the release of all major communications to investors or Bursa Securities.

II. Communication with Investors and Shareholders

The Board recognises the importance of maintaining effective communication with its investors and shareholders. An Investor Relations and Shareholder Communication Policy has been adopted by the Board to enable the Group and the Company to communicate effectively with its shareholders, existing and potential investors, other stakeholders and the public in general. An Investor Relations function has been established to facilitate communication between the Company and its existing shareholders and potential investors.

The Investor Relations function communicates with the shareholders and investors through periodic roadshows and investors briefing both locally and abroad, with fund managers, institutional investors and research analysts. Information such as the Group's performance, strategy and major development are presented and explained during these investor briefings.

Apart from the mandatory announcements of the Group's financial results and corporate developments to Bursa Securities, the Group maintains a website (www.muhibbah.com) that allows all shareholders to gain access to information, business activities and recent developments of the Group and for feedback.

Corporate Governance Overview Statement (continued)

III. Annual General Meeting

The Company had hosted its third fully virtual AGM on 22 June 2022. The Annual General Meeting ("AGM") is an important forum and primary channel where communications with shareholders can be effectively conducted. Shareholders are encouraged to attend and participate at the meeting by raising questions on resolutions proposed and to enquire on the Company's progress and performance. Shareholders who are unable to attend the AGM are allowed to appoint proxy/proxies to attend, participate, speak and vote on their behalf. In line with good CG practices, the notice of the AGM was circulated at least 28 days before the date of AGM to enable shareholders to make the necessary arrangements to attend and make informed voting decisions at the AGM.

The Chairman and Directors are in attendance to respond to shareholders' queries during the meeting. External auditors were also invited to attend the AGM to provide independent clarification on issues relating to the conduct of the audit and Auditors' Report, if any.

The AGM utilised technology and virtual platforms, that allowed the participation of shareholders at the AGM, to pose questions and to receive responses to the questions been submitted prior to convening of AGM or real time submission during the AGM via the online platform provided by the Company's Share Registrar. The Company had posted the Minutes of General Meeting detailing the question and answer session at the corporate website in accordance with Practice 13.6 of MCCG 2021.

In accordance with the MMLR of Bursa Securities, voting at the AGM shall be conducted by poll. All shareholders shall be briefed on the voting procedures by the poll administrator prior to the poll voting and the appointed independent scrutineer shall validate the votes cast and announce the poll results.

Compliance Statement

The Company has complied to a substantial extent, with the principles set out in the MCCG 2021 and the relevant requirements of the MMLR of Bursa Securities on CG to the extent as set out above throughout the financial year ended 31 December 2022.

This CG Overview Statement was approved by the Board on 29 March 2023.

Audit Committee Report

The Board of Directors ("the Board") of Muhibbah Engineering (M) Bhd. is pleased to present the Audit Committee Report for the financial year ended 31 December 2022.

Composition and Attendance

During the financial year under review, the Audit Committee ("**AC**") held four (4) meetings. The members of the AC and the record of their attendance at the Committee Meetings held during the financial year ended 31 December 2022 are as follows:

Name of Committee Members	Designation	No of Committee Meetings Attended
Sobri bin Abu	Chairman *(Independent Non-Executive Director)* *(Redesignated as Chairman of AC on 2 March 2018)*	4/4
Tan Sri Zakaria bin Abdul Hamid	Member *(Senior Independent Non-Executive Director)* *(Retired on 22 June 2022)*	2/2
Dato' Mohamad Kamarudin bin Hassan	Member *(Independent Non-Executive Director)* *(Resigned on 8 August 2022)*	2/2
Dato' Sri Khazali bin Haji Ahmad	Member (Independent Non-Executive Director)	1/2^
Dato' Khodijah binti Abdullah	Member (Independent Non-Executive Director)	2/2^

^ Reflects the number of meetings held during the period the Director held office

Issues discussed and deliberated during the four (4) AC meetings were recorded in the minutes of each meeting by the Company Secretary. Any matters of significant concern raised by the internal and external auditors were conveyed by the AC Chairman to the Board.

The Executive Directors, Group's Finance Director and the Group's Head of Internal Audit attended all AC meetings by invitation. Representatives of the External Auditors and Group's Head of Legal and Contracts also attended some of the meetings upon invitation by the Chairman of the AC.

Summary of Activities in 2022

The AC carried out its duties in accordance with its Terms of Reference. The main work and activities undertaken by the AC are as follows:

(i) Financial Reporting and External Audit
- Reviewed the announcements of quarterly financial results as well as the year-end financial statements of the Group prior to recommending to the Board of Directors for consideration and approval. The AC deliberated on amongst others, status update on litigation and dispute matter and also material outstanding matters, secured order book, current year prospect, budgeted revenue, profitability and cash position;
- Reviewed the overall assessment of the external auditor's performance and independence for the financial period ended 31 December 2022. Crowe Malaysia PLT has been the Company's external auditor since 2010 and was recommended for re-appointment for the ensuing year. The financial period ended 31 December 2022 marked the fifth year for the engagement partner;
- Reviewed and approved the external auditors' audit plan for the financial year ended 31 December 2022 inclusive of the terms of engagement and scope of work at its meeting held on 21 November 2022;

Audit Committee Report (continued)

(i) Financial Reporting and External Audit (continued)
- Reviewed the results of the annual audit for the Group with the external auditors and considered the major audit findings and the Management's response thereto; and
- Convened two (2) separate meeting sessions with the external auditors without the presence of the Executive Directors and Management 28 February 2022 and 21 November 2022 to discuss relevant issues and obtain feedbacks.

(ii) Internal Audit
- Reviewed the Group Internal Audit Department ("GIAD")'s annual internal audit plan to ensure that principal risks, key entities and functions were adequately identified and addressed; the AC approved the annual internal audit plan at its meeting on 21 November 2022;
- Reviewed the recurrent related party transactions review report;
- Reviewed the internal audit reports and specific review reports presented by the Internal Auditors which comprised audit findings, internal auditors' recommendations and Management's committed action plans. Where appropriate, the AC has directed the Management to improve internal controls based on the audit findings and recommendations;
- Reviewed the results of follow-up audits performed by the Internal Auditors to monitor the status of Management's implementation of the committed action plans;
- Reviewed and approved the revised Internal Audit Charter; and
- Evaluated the performance of GIAD's function and was satisfied with regard to the adequacy of scope and competency.

(iii) Reviewed the recurrent related party transactions that arose within the Group on a quarterly basis to ensure that the amounts transacted were within the mandate approved by the shareholders.

(iv) Reviewed the Circular to Shareholders in relation to the Proposed Renewal of Existing Shareholders' Mandate for RRPT of a Revenue or Trading Nature for the Board's approval.

(v) Reviewed major business issues/risks of projects in the Group as well as material litigations affecting the Group.

(vi) Reviewed the Company's dividend proposal and recommended the same to the Board for approval.

Internal Audit Function

GIAD is an in-house function that carries out its activities in accordance with the Internal Audit Charter approved by AC which defines the scope, authority, roles and responsibilities of the internal audit function. The Head of GIAD reports directly to the AC.

GIAD is headed by Ms. Ng Soo How, Josephine who is a member of Institute of Internal Auditors Malaysia. She has regular and direct communication with the AC and unrestricted access to the Executive Directors. She is supported by two (2) auditors who have university degrees. All the internal auditors have provided with written assurance confirming their compliance with the code of conduct of the Group and are free from any form of conflicts of interest that could impair their objectivity during the course of their audit works.

Based on the internal audit plan approved by the AC, GIAD performs an independent assessment of the adequacy and effectiveness of the Group's system of internal control, risk management and governance processes. GIAD is guided by the International Professional Practice Framework (IPPF) in their works and performed audit reviews through a risk-based approach, in line with Group's objectives and policies and taking into consideration input from the Senior Management and the Board. For the financial year ended 31 December 2022, the scope of the review included the following:

- Project Management (2 projects)
- Recurrent and Related Party Transactions
- ERP Accessibility
- Project Post Mortem

Findings of the above five (5) internal audit reviews were discussed with the Senior Management and the relevant Management of the department or division and reported to the Audit Committee for their deliberation where the reports included recommendations and mitigation action plans established by the Management to mitigate the issues of concerns within the time frame specified. Actions taken by the audited operating units were followed up by GIAD and were reported review results to the AC.

In addition, GIAD carried out the following:

- Facilitated Risk Management Committee meetings and Risk Management Unit meetings for the various business units without compromising its independence.
- Participated in Key Management meetings to keep abreast of the evolution of the risks pertaining to the business environment.
- Reviewed the Statement on Risk Management and Internal Control for the Company's 2022 Annual Report.
- Provided internal audit services and facilitated risk management meetings for the listed subsidiary i.e. Favelle Favco Berhad.

The total cost incurred by GIAD for the financial year ended 31 December 2022 was approximately RM381,000.

Terms of Reference

The AC Terms of Reference is made available on the Company's corporate website at www.muhibbah.com.

Statement on Risk Management and Internal Control

Introduction

The Board of Directors ("the Board") of Muhibbah Engineering (M) Berhad is pleased to include this statement as required by paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

Board's Responsibilities

The Board, in upholding the principles of corporate governance, is committed to maintaining a sound system of risk management and internal control ("the System") to safeguard the shareholders' interests and the Group's assets. The Board, however, recognised that due to inherent limitations in any system, such system established by the Management can only provide reasonable and not absolute assurance against the risk of material error, misstatement or loss, hence does not totally eliminate the risk of not achieving the Group's business objectives.

Risk Management

In line with good practice of closely monitoring the Group's risk exposure, a Risk Management Committee ("RMC") with its principal roles and responsibilities stated in the risk management policy and the procedure was formed at the Group level. The RMC which chaired by the Deputy Chief Executive Officer and comprises the Group's Finance Director and members from Key Management to assist the Board in identifying the key strategic and business risks, monitor and review the Group's risk profile on a half-yearly basis. The outcome of the RMC meeting is reported to the Board by the RMC Chairman.

The RMC is supported by Risk Management Units ("RMUs") set up at the respective business units comprising senior management staff and the relevant Heads of Department. The risk management reviews at RMU within each business unit are performed on a half-yearly basis to assess and update the risk profiles, mitigation action and its effectiveness as well as the risk matrix before submission to the RMC.

The RMC and RMUs are established with the aim of providing a continuing and consistent approach in identifying and assessing risks as well as facilitating the review of the adequacy of risk management processes in addressing the ever evolving risks. Such risk management process has been in place for the financial year and up to the date of approval of this statement.

Key Elements of Internal Control

- Organisation Structure and Authorisation Procedures
  The Group maintains a formal organisational structure with a clear lines of reporting that defines accountabilities and delegation of responsibilities. The roles and responsibilities that are set out comprise review and approval procedures to uphold the internal control system of the Group's various business units.

- Vision and Mission
  The Management has established a vision and mission statement to provide direction to employees toward achieving the goals and objectives of the Group.

- Authority Limits
  The authority limits for corporate and project levels provide clear delegations of authority. Wherever possible, such authority limits are clearly embedded in the Enterprise Resource Planning System.

- Code of Conduct, Whistle-Blower Policy and Anti-Bribery and Corruption Policy
  The Group has set up a Code of Conduct, a Whistle-Blower Policy and an Anti-Bribery and Corruption Policy to foster a culture of accountability and integrity. These also serve as a guide to shape the acceptable behaviour of the employees.

- Group Policies and Procedures
  Standard operating procedures for key business processes had been established to govern the Group's various business operations. Certain subsidiaries within the Group are ISO 9001:2015, ISO/TS 29001:2010 and ISO 30000:2009 accredited. The Corporate Quality Assurance/Quality Control ("QA/QC") Department conducts quarterly Internal Quality Audits to ensure that the operational processes are in accordance with the quality procedures. Apart from in-house quality audits, there were scheduled audits conducted by external auditors from the relevant certification bodies.

- Centralised Function at Head Office Level
  Key functions such as business development, human resources, finance, tax, corporate, legal and contracts matters are centralised at the head office.

- Periodic Management Review of Project Performance
  The Group has established a process to review the performance of selected projects on a periodic basis. The project teams meet to examine their progress and performance and also to highlight and explain any significant variances against the project budget and plan to the Senior Management. In addition, management reports are prepared and tabled to the Senior Management for their review and deliberation in the periodic meetings attended by the Project Management Team, Division Heads and Executive Directors.

- Quality Assurance / Quality Control
  The Corporate QA/QC Department focuses on Quality Assurance of the construction and fabrication works of the Group. A team of Quality Control Inspectors is posted at various project sites and fabrication yards where they carry out quality control activities at sites/yards to ensure that the work performance complies with the quality specifications.

- Safety, Health and Environment
  In addition to the site safety audits, the Health, Safety and Environment Department ("HSE") has been conducting continuous programs including induction and training to ensure safety awareness amongst the staff. HSE also conducts periodic audits and inspections to confirm that the operational processes and implementation conformed to the ISO 45001:2018 Occupational Health and Safety Management and the ISO 14001:2015 Environmental Management Systems. As part of the requirements of both certifications, external auditors from the relevant certification bodies will conduct a yearly surveillance audit and a triennial recertification audit.

- External Audit
  If the external auditors detect any internal control weakness during the course of their audit, they will highlight such weakness in the Audit Review Memorandum to the Audit Committee ("AC") for their attention.

The Group's system of internal control does not apply to Associate Companies and Jointly Controlled Entities where the Group does not have full management control over these entities. However, the Group's interest is served through representations on the Board of the respective associate companies and jointly controlled entities.

Review of Internal Controls

The Board delegated its role of reviewing the adequacy and effectiveness of internal controls to the AC. The AC assesses the internal controls via its review of the quarterly reports submitted by Management, observations reported by the external auditors and the Group Internal Audit Department. In addition, for the period under review, the Board has received opinions from the Managing Director, Deputy Chief Executive Officer and Finance Director that the Group's risk management and internal control system is reasonably adequate and effective in material respects.

Statement on Risk Management and Internal Control (continued)

Review of Statement by External Auditors

As required by Paragraph 15.23 of the MMLR of Bursa Securities, the external auditors have reviewed this Statement on Risk Management and Internal Control, and reported to the Board that nothing has come to the attention that cause them to believe that the Statement on Risk Management and Internal Control, in all material aspects, has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control : Guidelines for Directors of Listed Issuers, or is factually inaccurate. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide 3 issued by the Malaysian Institute of Accountants.

Conclusion

The Board is of the opinion that the risk management and internal control system put in place for the year under review and up to the date of approval of this statement is reasonably adequate to safeguard the shareholders' interests and the Group's assets.

The Board will continue to monitor and ensure that the risk management and internal control system continues to function effectively in the changing and challenging business environment.

This statement was approved by the Board on 29 March 2023.

Directors' Responsibility Statement

The Directors are required by the Companies Act 2016 ("the Act") to ensure that the annual financial statements of the Group and the Company are prepared in accordance with the applicable approved accounting statements in Malaysia, the provisions of the Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Financial statements have provided a true and fair view of the financial position, financial performance and cash flows of the Group and the Company for the financial year ended 31 December 2022.

In preparing these financial statements, the Directors have adopted appropriate accounting policies on a consistent basis, made judgments and estimates that are reasonable and prudent and ensured that the financial statements are prepared on a going concern basis in accordance with the applicable accounting standards.

The Directors are required to keep proper accounting records with reasonable accuracy to enable them to ensure that the financial statements comply with the Act. The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company, and to detect and prevent fraud and other irregularities.

Sustainability Statement

In Muhibbah, we strive to integrate sustainability into our business model and in our diverse range of operations.

We believe sustainability is the key to corporate success. Muhibbah is proud to be able to play a vital role in promoting sustainable development by creating long-term financial value, reducing our environmental footprint, empowering our workforce and contributing to our community.

1 About this Statement

We are pleased to present our sustainability statement that shows how we, Muhibbah Engineering (M) Bhd ("Muhibbah" or "the Group") manage sustainability-related risks and opportunities in our business operations.

This statement has been prepared in accordance with the Bursa Malaysia Securities Berhad's Sustainability Reporting Guide. The format is aligned with the recommended Global Reporting Initiatives (GRI) 4.0 Sustainability Reporting Guidelines.

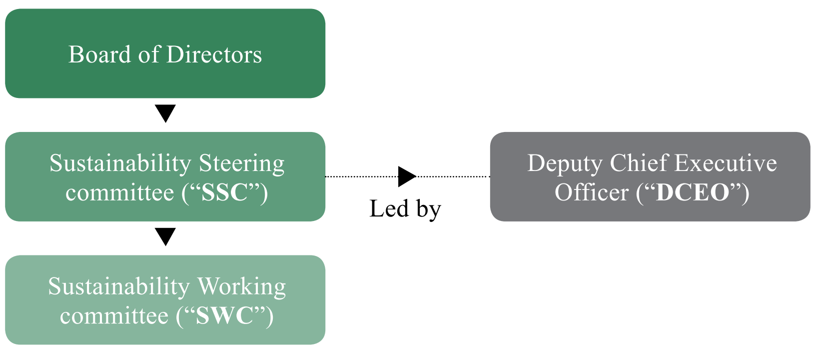
1.1 Statement Scope and Boundary

Our business portfolio comprises 4 core divisions; namely Infrastructure Construction, Concessions, Cranes and Shipyard. The Infrastructure and Construction division is primarily engaged in infrastructure, civil and structural engineering, marine, oil & gas and contract works while the Concessions division consists of Cambodia Airports privatisation and road maintenance for the Federal Government of Malaysia. The principal activities of the shipyard are to design and build offshore support vessels, coastal tankers, accommodation workboats and related ship repair.

For the purpose of this Sustainability Statement, we only cover our operations in Malaysia[1]. This statement presents our sustainability performance for the financial year ended 31 December 2022.

2 Sustainability Governance

We have developed a 2-tier structure that reports to the Board of Directors to ensure the implementation and monitoring of our sustainability initiatives and performance.



Muhibbah Sustainability Governance Structure

The Board of Directors is responsible in building sustainability by endorsing the Group's sustainability strategy and setting the direction for sustainability within the Group. The SSC is responsible to report the sustainability performance to the Board on a periodic basis. Led by the DCEO, the SSC provides guidance to the SWC on the implementation of sustainability-related strategies. The SWC consists of internal departments that manage the day-to-day implementation, data collection and monitoring of the sustainability initiatives.

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[1] The sustainability statement issued by the Group's crane manufacturing subsidiary company, Favelle Favco Berhad which is a public listed company is presented in Favelle Favco Berhad's Annual Report.

3 Stakeholder Engagement

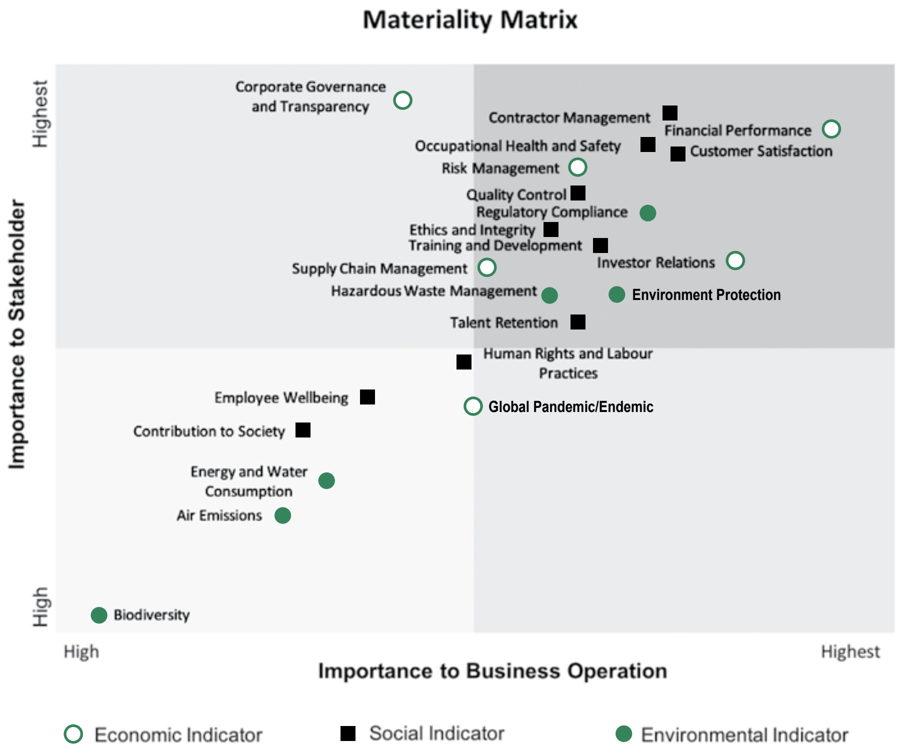
We actively engage with our key stakeholders to understand their expectations and this enables us to address their issues of interest. For efficient engagement, we engage our stakeholders through various platforms as described below.

Our Stakeholders	Issues of Interest	Our Methods of Engagement
Regulatory Agencies	• Regulatory compliance • Labour practices • Occupational Safety, Health & Environmental management and compliance • Environmental management and compliance • Operating licence	• Inspection by the local authority • General meetings with local regulators • Relevant circulations on authorities' / regulators' policies • Communication of new law and changes in law • Attending seminars held by regulators • Courtesy visit for information sharing & clarification
Shareholders / Investors and Financiers / Bankers	• Group financial performance • Group business strategy • Corporate governance and compliance • Ethical business conduct • Share price growth • Cash flow and profit forecast of the company	• Investors virtual and physical meetings • Annual general meetings • Quarterly financial reporting and annual reports • Investors virtual and physical seminars and conferences • Communication via emails or teleconferencing • Regular meetings with financiers
Client	• Quality of work and services • Customer-company relationship management • Compliance with HSE (Health, Safety and Environment) and security policies/requirements • Contract requirement Compliance • Work Performance, Completion & Satisfaction	• Regular client meetings • Feedback sessions • Satisfaction surveys • Company's website • Periodic quality control checks and audits at project sites • HSE walkabouts and audits • Participation in National Awards i.e (HSE award) • Internal recognition (i.e., project HSE free LTI man-hours recognition) • Third parties audit
Employees	• Performance management and career development • Career development & Stability • Compliance with HSE policies at workplace • Learning and development opportunities for employees • Employee engagement initiatives • Realignment of company policies with the Employment Act 1955 (Amendments) • Rewards and remuneration programs for employees • Safe working environment	• Staff Performance Review • Communication via WhatsApp Work Group and Management Work Group, email and face-to-face briefings • On-Board induction • Upskilling through face-to-face or online training • Cost Reduction Optimization Programme • Professional development for skill updates and enhancement • Participation in ESOS as an incentive and alignment of interest
Suppliers / Sub-Contractors	• Procurement practices • Payment schedule • Ability and capability of suppliers or sub-contractors • Financial stability of sub-contractors • Compliance with HSE Management	• Evaluation and performance reviews • Vendor registration • Contract tender negotiation • Evaluation and performance reviews • Establishment of e-procurement with long-term strategic suppliers • Third party appraisal of sub-contractors • Periodic audit and inspection
Local Communities	• Social issues • Impact of business operations • Transparency and accountability • Compliance with HSE Management	• Community engagement • CSR (corporate social responsibility) programmes • Donation and support of supplies
Environment	• Global warming • Renewable energy • Air quality • Noise pollution • Water treatment • Sustainable construction & operation	• Evolve technology in solar renewable energy • Crane used to install offshore and onshore wind turbine • CiTech – design and build waste heat recovery system to reduce heat released to the air • Airport implementation of action plan for Carbon reduction • Design and build noise barrier to reduce noise pollution of MRT/LRT • Design and build waste water treatment plant

Sustainability Statement (continued)

4 Materiality Assessment

Material sustainability matters refer to the key issues related to economic, environmental and social factors that impact the sustainability of our business.



5 Road to Sustainability

To achieve our sustainability vision, we have developed a strategy that focuses on the four (4) main pillars encompassing the Marketplace, Workplace, Environment and Community in our business operations.

Sustainability Vision:
Forging ahead with steady growing potential in the pursuit of excellence

Marketplace

Delivering sustainable return to our shareholders

Workplace

Keeping our people safe at work through proper planning and training

Environment

Optimising usage of natural resources and minimising environmental impacts

Community

Engaging our community through contribution of labour and financial support

5.1 Marketplace

Sustainability is the core of Muhibbah's business model and strategy since its incorporation in 1972. Muhibbah has established its track record as a leading engineering contractor servicing a diverse range of industries by providing integrated construction solutions for maritime, oil and gas and infrastructure projects for both local and global markets. We are committed to delivering a sustainable financial growth while contributing to the local economy.

5.1.1 Financial Performance

We reported RM17.9 million net loss after tax and non-controlling interests for the financial year ended 31 December 2022. The Group's historical summary of 5-year economic performance is disclosed in the Group Financial Highlights of this Annual Report.

5.1.2 Quality Assurance and Quality Control (QAQC)

We continue to strengthen our commitment to the pursuit of delivering quality products and services to our clients with our Quality Policy and internationally certified Quality Management Systems. Internal, external and vendor quality audits are conducted periodically to ensure compliance with all requirements of the standards listed below by each of our certified subsidiaries.

Standard	Company / Subsidiary
ISO 9001:2015 Quality Management Systems	1. Muhibbah Engineering (M) Bhd 2. Muhibbah Steel Industries Sdn Bhd (MSI) 3. CiTECH Energy Recovery System Malaysia Sdn Bhd (CiTECH Malaysia & CiTECH UK) 4. Muhibbah Marine Engineering Sdn Bhd (MME) 5. Muhibbah Engineering Middle East L.L.C (MEME) 6. Favelle Favco Cranes (M) Sdn Bhd - Senawang & Telok Gong 7. Exact Automation Sdn Bhd 8. Exact Analytical Sdn Bhd 9. Sedia Teguh Sdn Bhd
ISO/TS 29001:2010 Quality Management System for product and service supply organizations for the petroleum, petrochemical and natural gas industries.	1. Muhibbah Engineering (M) Bhd (MEB) 2. Muhibbah Steel Industries Sdn Bhd (MSI) 3. CiTECH Energy Recovery System Malaysia Sdn Bhd (CiTECH)
ISO 30000:2009 Quality Management System for safe and environmental friendly recycling of oil and gas assets and ships.	1. Muhibbah Engineering (M) Bhd
ISO 45001:2018 Occupational Health & Safety Management Systems	1. Muhibbah Engineering (M) Bhd 2. Muhibbah Steel Industries Sdn Bhd (MSI) 3. CiTECH Energy Recovery System Malaysia Sdn Bhd (CiTECH Malaysia & CITECH UK)
ISO 45001:2018 Supply, commissioning, calibration and servicing of process liquid & gas analyzers, environmental analyzers and fire & gas detection system	1. Exact Analytical Sdn Bhd 2. Sedia Teguh Sdn Bhd
ISO 14001:2015 Environmental Management Systems	1. Muhibbah Engineering (M) Bhd 2. Muhibbah Steel Industries Sdn Bhd (MSI) 3. CiTECH Energy Recovery System Malaysia Sdn Bhd (CiTECH Malaysia & CITECH UK)
ISO 14001:2015 Supply, commissioning, calibration and servicing of process liquid & gas analyzers, environmental analyzers and fire & gas detection system	1. Exact Analytical Sdn Bhd
ISO 3834-2:2021 Quality Requirements for Fusion Welding of Metallic Materials	1. Muhibbah Steel Industries Sdn Bhd (MSI)

Sustainability Statement (continued)

Standard	Company / Subsidiary
ASME 'U, S' Stamp – Manufacture of Pressure Vessels and Power Boilers	1. CiTECH Energy Recovery System Malaysia Sdn Bhd (CiTECH)
API – Spec Q1 Design, Manufacture and Servicing of Cranes	1. Favelle Favco Cranes (M) Sdn Bhd - Senawang
API – Spec 2C Offshore pedestal mounted cranes	1. Favelle Favco Cranes (M) Sdn Bhd - Senawang
ISO 3834 – 2:2021 Quality Requirements for Fusion Welding of Metallic Materials – Part 2 – Comprehensive Quality Requirements	1. Muhibbah Steel Industries Sdn Bhd (MSI)

5.1.3 Risk Management

Our detailed system of risk management and internal control is reported in the Statement of Risk Management and Internal Control in our Annual Report.

5.2 Workplace

Our employees play a fundamental role in driving the business operation to meet the best industry standards. Realising their value, we strive to provide our employees with performance incentive such as employee share option scheme, insurance coverage, hospitalization & surgical benefits and a productive work environment to continue to retain talent within the Group by empowering them with training and development.

5.2.1 Occupational Health and Safety

Due to the nature of our business, Muhibbah is firmly committed to creating a safe workplace for our employees. We treat Safety and Health with the highest level of priority. Our commitment is demonstrated in our Safety and Health Policy which is adhered to across the Group.

Safety and Health Policy Statement

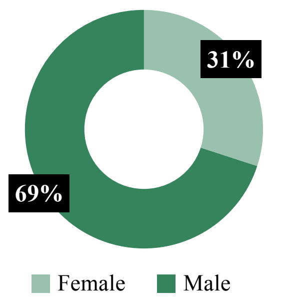
- To treat Safety and Health with the highest priority and demonstrate visible leadership in all our business activities by providing adequate resources necessary to manage and communicate Safety & Health commitment, expectations and accountability in the same manner as any other critical business function.
- Muhibbah shall assign clear emphasis on Safety and Health responsibilities to all employees as a fundamental part of their duties.
- Muhibbah shall comply with all requirements of legislation related to Safety and Health as stated in the Occupational Safety and Health Act 1994, as well as other approved regulations and codes of practices.
- Muhibbah shall proactively identify, manage associated risks and abide by the accident prevention scheme in its activities to minimize impact to its employees, stakeholders and communities.
- All Safety and Health information and literature shall be disseminated and well communicated to all staff and sub-contractors.
- Muhibbah shall ensure continual performance improvement to its Safety and Health Management System through periodic meetings, programs, systems audits and performance reviews.

Throughout our Group, we work towards full compliance with the requirements of the Occupational Safety and Health Act 1994 and the Factories and Machineries Act, 1967. We are proud to announce that we have achieved the ISO 45001:2018 certification for our Occupational Health and Safety management system within the Group.

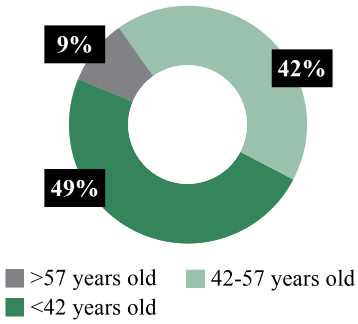
Safety, Health and Environment Committees ("SHEC") are established within our Group to develop and carry out measures for the protection and safeguard of our employees at their respective workplace. The SHEC comprise employee and employer representatives from each department who work in partnerships together on various safety, health and environmental programmes, undertake job hazard analysis and investigate accidents/incidents to implement appropriate remedial measures and reduce potential hazards at the workplace. To further improve our workplace safety, we undertake periodic risk assessments for each work task to identify the hazards and risks involved and provide the necessary mitigating controls.

5.2.2 Employee Diversity

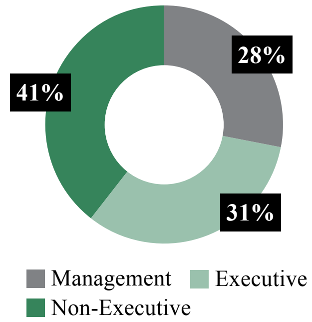
We value our employees and strive to treat them with respect and dignity. We believe in promoting diversity and inclusivity in our workforce and we are committed to hiring talented individuals without discrimination.



(i) Employees Breakdown by Gender



(ii) Employees Breakdown by Age



(iii) Employees Breakdown by Category

(i) Currently, 69% of our workforce is male, reflecting the nature of our business operations. However, we are committed to ensuring equal opportunities for all and will continue to work towards diversifying our workforce.

(ii) We have a diverse and well-distributed age group workforce, which allows us to implement effective succession planning and develop a sustainable workforce.

(iii) Our employee distribution shows that 28% of our workforce holds management positions, 31% are at the executive level, and 41% are non-executive level employees. We believe in promoting talent and meritocracy at all levels of our organization.

Overall, we believe that a diverse and inclusive workforce is essential to our success, and we will continue to strive towards creating an environment that values and supports all our employees.

5.2.3 Learning and Development

We continuously believe in investing in our employees' professional growth is critical to building a sustainable workforce. We provide comprehensive Learning and Development programs that focus on key areas such as business, functional, leadership and personal development. Our goal is to empower our employees to grow and succeed in their careers while also contributing to the company's long-term sustainability objectives.

5.2.4 Talent Retention

We recognize that our employees are our most valuable asset. We are committed to retaining our best talent by providing competitive remuneration packages, benefit schemes, and a supportive work environment. We offer training, work-life balance initiatives, and community involvement opportunities to help our employees grow and succeed in their careers while also supporting their overall well-being as well as encouraging employees to be shareholders of the Company via ESOS Scheme. Our goal is to build a sustainable workforce that is engaged, productive and committed to our mission and values.

5.2.5 Ethics and Integrity

We prioritize ethical and moral principles in the workplace and are committed to maintaining high ethical standards of the Code of Conduct among the employees. Any violations of the Code of Conduct will result in disciplinary action under our policy. Additionally, the Group has adopted the Anti-Bribery and Corruption Policy that sets the Group's expectations and values in dealing with corruption and bribery matters.

5.2.6 COVID-19 Initiatives

The COVID-19 pandemic has continued to disrupt our operations and only after second quarter of 2022, we consider the worst is over when Malaysia has finally reopened its international boarder. However, to protect our stakeholders, we implemented various initiatives, such as COVID-19 Safe Operating Procedures, work from home and virtual meetings. We will continue to take additional measures as and when necessary to help prevent the possibility of recurrence of COVID-19 from time to time.

5.3 Environment

The Group's commitment toward environmental protection is by deploying suitable environmental practices through ensuring regulatory compliance, promoting environmental responsibility through the Group's Environmental Policy and encouraging the development and use of environmental-friendly designs and technologies.

Environmental Policy Statement

- Establishing, implementing and maintaining the Environmental Management System by continuously improving its processes by setting up Specific, Measurable, Achievable, Realistic and Time (SMART) bound objectives, targets and Environment Management Programme (EMP).
- Conducting training for all the employees of Muhibbah for them to understand their roles and responsibilities in establishing an environmental management system that meets and excels client / statutory requirements.
- Ensuring conformance and commitment to the relevant environmental compliance obligations.
- Encouraging environmental sustainable concept through all Muhibbah's activities.
- Consideration of environmental aspects and impacts in all business strategies and initiatives.
- Communicating the Company's Environmental Policy to all persons working for or on behalf of the Group and to interested parties, which is made available to all relevant persons.

5.3.1 Regulatory Compliance

We are committed to pursue, implement and continuously improve our Environmental Management System in accordance with our certification in ISO 14001: 2015 for each and every project undertaken. Regulatory compliance related to decommissioning projects will be handled in accordance with ISO 30000:2009 Ship Recycling Management Systems.

5.3.2 Hazardous Waste Management

At Muhibbah's project sites and subsidiaries such as MSI, CiTech, Muhibbah Equipment Division and decommissioning yard, we implement an operational control plan on waste management in accordance with the Environmental Quality (Scheduled Waste) Regulations, 2005. Common hazardous wastes generated within projects and by subsidiaries are contaminated containers, filters, gloves and rags including spent lubricating and hydraulic oil. All of these wastes being managed properly from the stage of generation until disposal based on regulatory requirements.

5.4 Community

As a Group that believes in giving back to the society, we take responsibility to invest our resources to contribute to the local communities that we operate within. In line with this, we have set up Muhibbah's CSR Rangers to contribute to the society.

In November 2022 Muhibbah Group donated and distributed rice bags to communities in Pahang affected by natural disasters. The Group's Defence and Security Division continued with their philanthropic activities by providing monetary grants to the Defence Community activities including skill enhancement programs.

We have supported Angkatan Pertahanan Awam Malaysia ("Malaysia Civil Defence Force"), formerly known as Rescue 991, in their fund raising for Action Centre Building Fund and procurement of ambulance and lifeboats.

The Group will continue to contribute to societal goals or charitable contributions by supporting community development, providing monetary grants to non-profit organisations for public benefits and conduct business and investment practices ethically.

6 Our Sustainable Strategy with SDG Targets

We are pleased to say that our sustainable strategy which focuses on the four (4) main pillars encompassing the Marketplace, Workforce, Environment and Community also supports some of the relevant United Nations Sustainable Development Goals ("UN SDGs").

Our SDG targets are carried out via our diversified business and operation as summarized below:

3 Good Health and Well-Being	**3.5**	**Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol.**
	3.8	**Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.**

We have established a policy related to alcohol & drug abuse policy. The policy has been reviewed recently on 2nd January 2022.

Our commitment to good health and well-being especially to our employees is demonstrated in our Safety and Health Policy which is adhered to across the Group.

As regards to the COVID-19 pandemic, we have implemented COVID-19 Standard Operating Procedures, regular awareness and prevention circulars by Corporate HSE on a weekly or fortnightly basis, implementation of work from home and rotational work basis for the department which has reported positive cases, regular sanitisation and disinfection and conduct of virtual meetings. We provided Covid-19 self-test saliva antigen rapid test kit (RTK) to employees and requested employees to do the test on a regular basis.

We have provided an option for our employees to register under PIKAS for the vaccination and booster shot program and Insurance (due to Covid) under the MyCTF program.

5 Gender Equality	**5.2**	**Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation.**
	5.5	**Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life.**

The Group has established Sexual Harassment Policies under our CODE OF ETHICS, BUSINESS PRACTICE AND CONDUCT POLICIES AND PROCEDURES, and has taken further steps to promote awareness by displaying posters on sexual harassment in visible locations throughout our workplace.

We have also fulfilled the condition of at least one female director for the Board as per the listing requirement.

6 Clean Water and Sanitation	6.3	Improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.

We shall ensure 100% compliances via continuous monitoring on our project activities and to ensure no deterioration or adverse impact towards quality of the surrounding environment. These includes protection towards surface & ground water quality. Monitoring has been done via in-situ parameter & lab testing based on agreed frequency. The performance has been tabulated in the report and submitted to authority & client as per required in contract/regulation.

As required under the Environmental Quality (Scheduled Waste) Regulations 2005, our Crane division complies with the requirement of handling, storage and disposal of Scheduled Waste by contractors licensed by the Department of Environment (DOE). Its premises at Senawang have been equipped with five units of oil interceptors to capture the waste oil.

Our Intelligence Automation division also provides business solutions on Waste Water Treatment Plant (WTP) Measurement and has assisted many industries in improvement of water quality as it could measure pH, DO, ORP, Conductivity, COD, BOD, TSS, TVOC and many more online real-time without going through 3rd party accredited laboratory to generate the report. We nurture EHS (Environmental, Health and Safety) culture in our organisation by reducing waste and promote recycling and reused.

7 Affordable and Clean Energy	7.1	Ensure universal access to affordable, reliable and modern energy services.

The Group have invested in solar energy for our office and plants with solar PV system capacity. (approximately 1,610 kWpdc).

Our airports concession has clear commitment to the Environment by 2030. All our 3 airports have been certified by the Airport Carbon Accreditation ("ACA") program at level 1 (Carbon Footprint & Policy) since 2015 and we were further upgraded to Level 2 (Emissions Reduction) in 2019.

Our airport concession has successfully reduced energy consumption by:
- replacing conventional light bulbs with LED lighting, including all runway lighting system.
- Replacing heating, ventilation and air-conditioning systems with more efficient alternatives.
- Optimising air-conditioning temperatures.

In future, we are going to:
- deploy photovoltaic panels to produce our own carbon-free electricity, and
- roll out a fleet of clean vehicles (electrical or similar).

We intend to apply for ACA Level 3 (Optimisation & Engagement of 3rd parties) by 2024.

8 Decent Work and Economic Growth	8.7	Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.

We have no child labour for the Group.

9 Industry, Innovation and Infrastructure	9.4	Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

With the advantage of low weight, and small footprint coupled to its modular design, our CiTech's patented CiBAS (Concentric Integral Bypass & Silencer) WHRU, is ideal for retrofitting onto existing Platforms or FPSOs to replace a Traditional WHRU or to where a gas turbine is available to increase the facilities process heat supply.

In 2021, we have developed and filed for Intellectual Property for CIBAS 2.0, an enhanced and improved version to current CIBAS design. Currently the CIBAS 2.0 is undergoing the examination process under international filing.

12 Responsible Consumption and Production		
	12.4	**Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.**
	12.5	**Substantially reduce waste generation through prevention, reduction, recycling and reuse.**

Muhibbah has established waste management procedures. By referring to this procedure, project HSE personnel will conduct related session to train workers or person-in-charge when carrying out activity that potentially generating waste and how to manage it including the best disposal method. (i.e., Safe refuelling & Waste Management).

All waste generated at project site will be managed in accordance to related statutory requirement & MEB waste management procedure. Each type of waste generated at project site will be disposed according to:
- Normal construction waste - approved landfill;
- Scheduled Waste - registered prescribed premise/contractor;
- Sewage - desludging by licenced contractors

Our Crane division monitors and manages emission in the assembly and painting of cranes operation in a designated paint booth equipped with a water curtain so that only the clean air is released via a stack to the environment. We undertake to monitor the efficiency of the stack system three times a year.

Our Intelligence Automation division also provides one-stop solution on Continuous Emission Monitoring System (CEMS) is used to provide data for compliance with regulatory requirements and reporting of pollutant emissions which have been endorsed by the Malaysia Department of Environment (DOE) and link to iRemote.

Our airports concession is implementing a waste management process with a target of sending zero waste to landfill by promoting less packaging, banning single-use plastics, recycling more and recovering waste. More solutions are being implemented to treat hazardous wastes locally such as electronic wastes, used oil and other contaminated wastes.

13 Climate Action		
	13.1	**Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.**

Muhibbah is certified with ISO 14001:2015. Therefore, all legislation towards the environmental protection (i.e., EQA 1974) are adhered to including those related to climate change - prohibition of open burning and control and monitoring of the pollutant emitted from machineries used.

Our Shipyard had built 2 units of tankers with ship design comply with EEDI (Energy Efficient Design Index), use of more energy efficient (less pollution) equipment and engines adheres to the regulation accordance to International Maritime Organization (IMO) requirement. SOLAR panels was installed in our shipyard toward the green energy technology.

Our CiTech Group is a well-recognised leading supplier of Waste Heat Recovery Units (WHRU's) and home of the first and original patented Compact Cylindrical Waste Heat Recovery Unit CiBAS (Concentric, Integral, By-Pass and Silencing) WHRU. By end of Mar-2023, we have successfully recovered more than 5.3 trillion megawatts (MW) thermal energy from our installed CiBAS units globally. Based on the average conversion rate for Europe of 0.296, it is equivalent to a reduction of 1.6 billion of CO_2 in kilotonne. A strong testimonial of our contribution to the reduction of global warming and carbon dioxide (CO_2).

Our airport concession is also looking beyond at Level 3+ (Neutrality) to compensate for their remaining carbon emissions that cannot be reduced by other means by offsetting. We need to reach Level 3 first and when we cannot reduce any more, the possible options would be:
- Support green energy projects
- Purchase or invest in "carbon credits".

13 Climate Action	13.1	Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

The effects of climate change are exacerbated by uncontrolled carbon emission through industrial processes and urbanization. Our Crane division's effort to reduce such carbon emissions are:
i) Installed transparent roof cladding at manufacturing facility to reduce the electricity consumption, one of the main contributors to carbon emissions, used to light the factory.
ii) installed solar power system.
iii) Implemented timer-system for the light fixtures that lights the outside of our factory.
iv) Control usage of electricity when the plant is not in operation.
v) Not allowed for open burning in our premises (FFCM Senawang)

Our Intelligence Automation division also provides renewable energy solution for Oil & Gas offshore platform using Solar Power and Wind Turbine. We have low power Remote Telemetry Unit (RTU) system solution for Supervisory Control and Data Acquisition (SCADA) application at hazardous area and our built-to-purpose facility includes a team of engineers and technicians who have a wide experience in design and maintenance of control systems for use with solar, wind, biochemical, wave power and other renewable energy sources.

16 Peace, Justice and Strong Institutions	16.5	Substantially reduce corruption and bribery in all their forms.

As part of our commitment to ethics and integrity, the Group upholds the highest standards of ethical behaviour throughout our organization. We have implemented policies and procedures to prevent and reduce corruption, bribery, and unethical conduct.

Additionally, we have a Whistleblower Policy in place in compliance with the Malaysian Code of Corporate Governance 2021 and the Whistleblower Protection Act 2010 to encourage the reporting of any suspected breaches of our ethical standards.

7 Conclusion

We are cognisant that embedding sustainability effectively across the Group is a journey. This Statement describes our sustainability initiatives and how we managed our material sustainability issues in our operations for financial year ended 31 December 2022. Moving forward, we will continue to build and enhance our initiatives progressively with the ultimate goal of achieving our sustainability vision.

Financial Statements

Directors' Report for the financial year ended 31 December 2022

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

Principal activities

The Company is principally engaged in the provision of oil and gas, marine, infrastructure, civil and structural engineering contract works. The subsidiaries are involved in design, manufacture, commission, repair, maintenance and customisation of cranes, offshore supply vessels and anchor handling tugboats for oil and gas industry. The associates are mainly involved in international airport concessions in Cambodia and road maintenance concessions in Malaysia. The main business segments of the Group are stated in Note 28 to the financial statements. The principal activities of the subsidiaries are stated in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
(Loss)/Profit attributable to:		
Owners of the Company	(17,880)	17,347
Non-controlling interests	23,600	-
Profit for the financial year	5,720	17,347

Reserves and provisions

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

Dividends

The Directors do not recommend any final dividend in respect of the financial year ended 31 December 2022.

Directors of the Company

Directors who served since the date of the last report and at the date of this report are:

Dato' Mohamad Kamarudin bin Hassan
Mac Ngan Boon @ Mac Yin Boon
Mac Chung Jin
Lee Poh Kwee
Sobri bin Abu
Mazlan bin Abdul Hamid
Dato' Sri Khazali bin Haji Ahmad
Dato' Khodijah binti Abdullah (Appointed on 08.08.2022)
Tan Sri Zakaria bin Abdul Hamid (Retired on 22.06.2022)
Ooi Sen Eng (Retired on 22.06.2022)
Abd Hamid bin Ibrahim (Retired on 22.06.2022)

The names of Directors of the Company's subsidiaries are set out in the respective subsidiaries financial statements, and the said information is deemed incorporated herein by such reference and made a part hereof.

Directors' interests

The direct and indirect interests in the shares and employees' share options of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2022	Bought	Sold	At 31.12.2022
Muhibbah Engineering (M) Bhd.:				
Mac Ngan Boon @ Mac Yin Boon				
- Direct	74,201,416	49,436,708	-	123,638,124
- Indirect	19,962,500	9,981,250	-	29,943,750
Mac Chung Jin				
- Direct	6,660,000	3,330,000	-	9,990,000
- Indirect	50,000	25,000	-	75,000
Lee Poh Kwee				
- Direct	6,046,572	4,165,736	-	10,212,308
- Indirect	650,000	325,000	-	975,000
Mazlan bin Abdul Hamid	500,000	-	-	500,000
Favelle Favco Berhad (a subsidiary):				
Mac Ngan Boon @ Mac Yin Boon				
- Direct	9,482,913	1,360,000	-	10,842,913
- Indirect	3,703,800	1,200,000	-	4,903,800
Mac Chung Jin	677,000	-	-	677,000
Lee Poh Kwee	1,715,000	1,200,000	-	2,915,000
Mazlan bin Abdul Hamid	2,256,800	579,300	-	2,836,100

Directors' interests (continued)

The options granted to eligible Directors over unissued ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) pursuant to the Employees' Share Issuance Scheme ("SIS") are set out below:

	Number of options over ordinary shares			
	At 1.1.2022	Granted	(Expired)	At 31.12.2022
Muhibbah Engineering (M) Bhd:				
Mac Ngan Boon @ Mac Yin Boon				
- Direct	2,800,000	7,000,000	(2,800,000)	7,000,000
- Indirect	1,250,000	-	(1,250,000)	-
Mac Chung Jin	2,500,000	5,000,000	(2,500,000)	5,000,000
Lee Poh Kwee	2,500,000	5,000,000	(2,500,000)	5,000,000
Mazlan bin Abdul Hamid	500,000	-	(500,000)	-
Favelle Favco Berhad (a subsidiary):				
Mac Ngan Boon @ Mac Yin Boon				
- Direct	1,360,000	1,600,000	(1,360,000)	1,600,000
- Indirect	1,200,000	1,750,000	(1,200,000)	1,750,000
Lee Poh Kwee	1,200,000	1,450,000	(1,200,000)	1,450,000
Mazlan bin Abdul Hamid	960,000	1,450,000	(960,000)	1,450,000

Other than the abovementioned Directors, none of the other Directors holding office at 31 December 2022 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors shown in the financial statements, or the fixed salary of a full time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain Directors have substantial financial interests as disclosed in Note 32 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the share options granted to certain Directors pursuant to the SIS of the Company.

Directors' remuneration

The details of the Directors' remuneration paid or payable to the Directors of the Company during the financial year are as follows:

	Group RM'000	Company RM'000
Directors' fee	898	428
Directors' salaries and other remuneration	3,015	2,189
Defined contribution plan	446	300
Share option expenses	915	-
Benefits-In-Kind	9	9
	5,283	2,926

Issue of shares and debentures

During the financial year,

a) on 26 April 2022, the Company completed the issuance, listing and quotation of 241,722,568 rights shares on the Main Market of Bursa Malaysia Securities Berhad are disclosed in Note 14 to the financial statements; and

(b) there was no issuance of debenture by the Company.

Treasury shares

The treasury shares are disclosed in Note 15 to the financial statements.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the SIS.

The Company operates a SIS that was established and approved by the shareholders of the Company at an Extraordinary General Meeting held on 22 June 2017. The SIS is to be in force for a period of 5 years effective from 10 July 2017. The SIS has expired on 9 July 2022.

The Company operates a new SIS that was established and approved by the shareholders of the Company at an Extraordinary General Meeting held on 22 June 2022. The main features of the new SIS, details of share options offered and exercised during the financial year are disclosed in Note 26. The SIS expires on 26 July 2027.

The details of the SIS are disclosed in Note 26 to the financial statements.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) proper action had been taken in relation to the writing off of bad debts and making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts have been written off and adequate allowance had been made for impairment losses on receivables, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of allowance for impairment losses on receivables in the Group and in the Company inadequate to any substantial extent, and

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

Other statutory information (continued)

The contingent liabilities are disclosed in Note 31 to the financial statements. At the date of this report, there does not exist:

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

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial statement and the financial performance of the Group and of the Company for the financial year ended 31 December 2022 have not been substantially affected by any other item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

Indemnity and insurance cost

During the financial year, there is no indemnity given to or professional indemnity insurance effected for Directors, officers or auditors of the Group and of the Company.

Auditors

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

The details of the auditors' remuneration for the financial year are as follows:-

	The Group RM'000	The Company RM'000
Audit fees	1,407	222
Non-audit fees	40	20
	1,447	242

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....
Mac Ngan Boon @ Mac Yin Boon

....
Mac Chung Jin

Klang, Selangor Darul Ehsan

Date: 14 April 2023

Statements of Financial Position as at 31 December 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Assets					
Property, plant and equipment	3	1,133,179	1,027,092	128,719	195,644
Investment properties	4	90	190	9,960	10,935
Investments in subsidiaries	5	-	-	248,615	237,625
Investments in associates	6	719,720	692,356	33,035	33,035
Receivables, deposits and prepayments	7	5,033	4,820	-	-
Deferred tax assets	8	28,844	24,004	3,393	-
Other non-current assets	9	111,554	93,707	130	9
Total non-current assets		1,998,420	1,842,169	423,852	477,248
Receivables, deposits and prepayments	7	420,758	436,225	866,584	1,055,819
Contract assets	10	284,174	318,025	111,332	145,883
Inventories	11	299,851	308,529	1,732	400
Derivative assets	20	1,101	37	675	6
Current tax assets		15,029	18,425	508	398
Assets classified as held for sale	13	3,294	-	3,294	-
Cash and cash equivalents	12	308,419	450,815	107,841	79,128
Total current assets		1,332,626	1,532,056	1,091,966	1,281,634
Total assets		3,331,046	3,374,225	1,515,818	1,758,882

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Equity					
Share capital	14	426,474	306,602	426,474	306,602
Reserves	15	832,857	795,804	205,584	229,652
Total equity attributable to:					
Owners of the Company		1,259,331	1,102,406	632,058	536,254
Non-controlling interests		500,411	560,599	-	-
Total equity		1,759,742	1,663,005	632,058	536,254
Liabilities					
Loans and borrowings	16	103,359	117,665	93,750	103,500
Payables and accruals	17	3,169	3,007	-	-
Hire purchase and lease liabilities	18	12,775	23,799	-	-
Deferred tax liabilities	8	108,867	79,408	-	9,830
Total non-current liabilities		228,170	223,879	93,750	113,330
Loans and borrowings	16	287,864	407,541	201,742	321,451
Payables and accruals	17	421,208	394,363	195,889	322,068
Hire purchase and lease liabilities	18	20,085	14,565	-	-
Contract liabilities	10	186,384	207,312	26,590	32,988
Bills payable	19	418,440	451,753	365,789	432,791
Derivative liabilities	20	-	265	-	-
Current tax liabilities		9,153	11,542	-	-
Total current liabilities		1,343,134	1,487,341	790,010	1,109,298
Total liabilities		1,571,304	1,711,220	883,760	1,222,628
Total equity and liabilities		3,331,046	3,374,225	1,515,818	1,758,882

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

Statements of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	21	896,809	1,003,670	388,636	333,030
Cost of sales		(712,599)	(832,513)	(206,402)	(292,095)
Gross profit		184,210	171,157	182,234	40,935
Other income		37,226	50,698	2,596	6,998
Distribution costs		(23,255)	(13,646)	(5,062)	(4,046)
Administrative expenses		(172,191)	(185,731)	(29,982)	(12,451)
Net (loss)/reversal on impairment of financial assets and contract assets	22	(142)	33,233	(103,064)	(31,743)
Results from operating activities		25,848	55,711	46,722	(307)
Interest income		19,422	8,178	30,363	41,307
Finance costs		(19,760)	(19,936)	(58,538)	(28,608)
Operating profit	22	25,510	43,953	18,547	12,392
Share of loss of associates, net of tax		(1,200)	(28,053)	-	-
Profit before tax		24,310	15,900	18,547	12,392
Income tax expense	24	(18,590)	(13,401)	(1,200)	-
Profit for the financial year		5,720	2,499	17,347	12,392
Profit/(Loss) for the financial year attributable to:					
Owners of the Company		(17,880)	(3,416)	17,347	12,392
Non-controlling interests		23,600	5,915	-	-
Profit for the financial year		5,720	2,499	17,347	12,392
Loss per ordinary share (sen)					
Basic	25	(2.75)	(0.71)		
Diluted	25	(2.75)	(0.71)		

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit for the financial year		5,720	2,499	17,347	12,392
Other comprehensive income/(expense) for the financial year, net of tax					
Item that would not be reclassified subsequently to profit or loss					
Movement in revaluation of property, plant and equipment, net of tax		69,523	-	(41,874)	-
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		33,504	20,284	-	-
Other comprehensive income/(expense) for the financial year, net of tax		103,027	20,284	(41,874)	-
Total comprehensive income/(expense) for the financial year		108,747	22,783	(24,527)	12,392
Total comprehensive income/(expense) for the financial year attributable to:					
Owners of the Company		32,752	10,855	(24,527)	12,392
Non-controlling interests		75,995	11,928	-	-
Total comprehensive income/(expense) for the financial year		108,747	22,783	(24,527)	12,392

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

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2022

		/----Attributable to owners of the Company----									
		/----Non-distributable----					/ Distributable				
Group	Note	Share capital RM'000	Treasury shares RM'000	Revaluation reserve RM'000	Capital reserve RM'000	Share options reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2021		306,602	(5,561)	310,018	5,237	20,566	61,317	388,497	1,086,676	584,549	1,671,225
Other comprehensive income:											
Foreign currency translation differences for foreign operations		-	-	-	-	-	14,271	-	14,271	6,013	20,284
(Loss)/Profit for the financial year		-	-	-	-	-	-	(3,416)	(3,416)	5,915	2,499
Total comprehensive income/(expense)		-	-	-	-	-	14,271	(3,416)	10,855	11,928	22,783
Share-based payment	26	-	-	-	-	1,231	-	-	1,231	244	1,475
Dividend to non-controlling interests		-	-	-	-	-	-	-	-	(23,386)	(23,386)
Share buy back by a subsidiary		-	-	78	-	28	35	753	894	(3,879)	(2,985)
Dilution of interest in subsidiary		-	-	259	-	91	102	2,298	2,750	(8,857)	(6,107)
Total transactions with owners		-	-	337	-	1,350	137	3,051	4,875	(35,878)	(31,003)
At 31 December 2021		306,602	(5,561)	310,355	5,237	21,916	75,725	388,132	1,102,406	560,599	1,663,005
		/----Note 15----									

		/----Attributable to owners of the Company----/									
		/----Non-distributable----/						Distributable			
Group	Note	Share capital RM'000	Treasury shares RM'000	Revaluation reserve RM'000	Capital reserve RM'000	Share options reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2022		306,602	(5,561)	310,355	5,237	21,916	75,725	388,132	1,102,406	560,599	1,663,005
Other comprehensive income:											
Foreign currency translation differences for foreign operations		-	-	-	-	-	21,488	-	21,488	12,016	33,504
Movement in revaluation of property, plant and equipment, net of tax		-	-	29,144	-	-	-	-	29,144	40,379	69,523
(Loss)/Profit for the financial year		-	-	-	-	-	-	(17,880)	(17,880)	23,600	5,720
Total comprehensive income/(expense)		-	-	29,144	-	-	21,488	(17,880)	32,752	75,995	108,747
Issuance of shares pursuant to right issue		119,872	-	-	-	-	-	-	119,872	-	119,872
Acquisition of subsidiaries	34	-	-	-	-	-	-	-	-	1,788	1,788
Share-based payment	26	-	-	-	-	1,309	-	-	1,309	-	1,309
Share option expired		-	-	-	-	(18,739)	-	18,811	72	(72)	-
Dividend to non-controlling interests		-	-	-	-	-	-	-	-	(141,244)	(141,244)
Dilution of interest in subsidiary		-	-	517	-	(6,482)	80	8,805	2,920	(27,668)	(24,748)
Issuance of shares to non-controlling interests		-	-	-	-	-	-	-	-	31,155	31,155
Disposal of a subsidiary	35	-	-	-	-	-	-	-	-	(142)	(142)
Total transactions with owners		119,872	-	517	-	(23,912)	80	27,616	124,173	(136,183)	(12,010)
At 31 December 2022		426,474	(5,561)	340,016	5,237	(1,996)	97,293	397,868	1,259,331	500,411	1,759,742
		/----Note 15----/									

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

Statement of Changes in Equity
for the financial year ended 31 December 2022

		/--------Non-distributable				--------/	Distributable	
Company	Note	Share capital RM'000	Treasury shares RM'000	Revaluation reserve RM'000	Share options reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2021		306,602	(5,561)	109,155	16,315	922	95,541	522,974
Profit for the financial year		-	-	-	-	-	12,392	12,392
Total comprehensive income		-	-	-	-	-	12,392	12,392
Share-based payment	26	-	-	-	888	-	-	888
Total transactions with owners		-	-	-	888	-	-	888
At 31 December 2021		306,602	(5,561)	109,155	17,203	922	107,933	536,254
		/---------------			Note 15		---------------/	

		/--------Non-distributable				-------/	Distributable	
Company	Note	Share capital RM'000	Treasury shares RM'000	Revaluation reserve RM'000	Share options reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2022		306,602	(5,561)	109,155	17,203	922	107,933	536,254
Movement in revaluation of property, plant and equipment, net of tax		-	-	(41,874)	-	-	-	(41,874)
Profit for the financial year		-	-	-	-	-	17,347	17,347
Total comprehensive income/(expense)		-	-	(41,874)	-	-	17,347	(24,527)
Issuance of shares pursuant to right issue		119,872	-	-	-	-	-	119,872
Share-based payment	26	-	-	-	459	-	-	459
Share options expired		-	-	-	(17,203)	-	17,203	-
Total transactions with owners		119,872	-	-	(16,744)	-	17,203	120,331
At 31 December 2022		426,474	(5,561)	67,281	459	922	142,483	632,058
		/--------Note 15				--------/		

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

Statements of Cash Flows for the financial year ended 31 December 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flows from/(for) operating activities					
Profit before tax		24,310	15,900	18,547	12,392
Adjustments for:					
Allowance for diminution in value		150	-	-	-
Allowance for slow moving inventories		3,706	11,985	-	-
Amortisation/depreciation of:					
- Development costs and intellectual property		21	12	-	-
- Right-of-use assets		7,536	6,603	-	-
- Investment properties		8	12	276	277
- Property, plant and equipment		65,460	68,884	6,454	9,662
Bad debts written off		2,914	-	2,914	-
Dividend income		-	-	(228,182)	(44,514)
Finance costs		31,056	33,716	103,140	37,555
Gain on disposal of property, plant and equipment		(882)	(1,659)	(62)	(802)
Gain on disposal of investment properties		(908)	-	(950)	-
Loss on disposal of a subsidiary		193	-	-	-
Government loan waived		-	(915)	-	-
Interest income		(19,422)	(8,178)	(30,363)	(41,307)
Inventories written off/(back)		5,417	1,322	(10)	(40)
Net fair value (gain)/loss on derivative instruments		(1,318)	6,719	(669)	6,694
Net fair value gain on the investment		(2,748)	-	-	-
Net unrealised loss/(gain) on foreign exchange		4,628	(5,197)	2,854	(7,179)
Net impairment loss/(reversal) on:					
- Contract assets and receivables		142	(33,233)	103,064	31,743
- Investment in subsidiaries		-	-	8,370	4,582
- Investment in associates		7,741	1,407	7,136	300
- Property, plant and equipment		12,823	(9,807)	-	-
Net (reversal)/provision for:					
- Warranties		(8,787)	9,099	-	-
- Foreseeable losses		(5,538)	9,752	(463)	(3,524)
- Liquidated and ascertained damages		-	(391)	-	-
Property, plant and equipment written off		912	548	-	24
Share-based payments	26	1,309	1,475	459	888
Share of loss of associates		1,200	28,053	-	-
Operating profit/(loss) before changes in working capital		129,923	136,107	(7,485)	6,751
Receivables, deposits and prepayment		16,067	121,517	25,426	203,983
Inventories		(60,908)	5,191	(1,322)	11
Payables and accruals		30,124	(72,744)	(126,179)	(62,303)
Contract assets and contract liabilities		18,554	(49,708)	28,965	(1,219)
Cash generated from/(used in) operations		133,760	140,363	(80,595)	147,223
Net taxes paid		(21,479)	(20,316)	(1,310)	(116)
Net cash generated from/(used in) operating activities		112,281	120,047	(81,905)	147,107

		Group		Company	
	Note	2022 RM'000	2021 RM'000 Restated	2022 RM'000	2021 RM'000
Cash flows (for)/from investing activities					
Addition to development expenditures		(920)	-	-	-
Acquisition of shares from non-controlling interest		(19,360)	(6,107)	(19,360)	(6,107)
Deferred consideration payment/ acquisition of subsidiaries		(4,925)	(22,971)	-	-
Investment in associates		(7,136)	(2,770)	(7,136)	(2,770)
Dividend received from:					
- subsidiaries		-	-	224,082	36,314
- associates		4,100	8,200	4,100	8,200
Interest received		19,422	4,464	1,576	872
Proceeds from disposal of investment in a subsidiary		(449)	-	-	-
Proceeds from acquisition of marketable securities		(7,587)	-	-	-
Proceeds from disposal of property, plant and equipment		13,436	3,621	4,516	1,711
Proceeds from disposal of investment properties		1,000	-	1,065	-
Purchase of property, plant and equipment	12.2	(33,681)	(36,582)	(1,790)	(5,471)
Addition to other non-current assets		(2,648)	(2,739)	(121)	-
Net cash (used in)/generated from investing activities		(38,748)	(54,884)	206,932	32,749
Cash flows (for)/from financing activities					
Dividend paid to non-controlling interests		(141,244)	(23,386)	-	-
Interest paid		(27,664)	(30,520)	(19,725)	(22,812)
Proceeds from issuance of share to non-controlling interest		25,775	-	-	-
Proceeds of shares through right issue		119,872	-	119,872	-
Purchase of treasury shares by a subsidiary		-	(2,985)	-	-
Net repayment of loans and borrowings		(198,347)	(191,632)	(197,127)	(187,386)
Net cash used in financing activities		(221,608)	(248,523)	(96,980)	(210,198)
Effects of foreign exchange translation		(8,809)	3,527	-	-
Net (decrease)/increase in cash and cash equivalents		(156,884)	(179,833)	28,047	(30,342)
Cash and cash equivalents at beginning of the financial year		441,594	621,427	78,802	109,144
Cash and cash equivalents at end of the financial year	(i)	284,710	441,594	106,849	78,802

Statements of Cash Flows for the financial year ended 31 December 2022 (continued)

(i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following:

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Deposits placed with licensed banks	12.1	24,489	91,886	-	1,352
Short-term funds	12.1	103,475	146,544	73,500	57,000
Cash and bank balances	12.1	180,455	212,385	34,341	20,776
		308,419	450,815	107,841	79,128
Bank overdrafts	16	(23,709)	(9,221)	(992)	(326)
Cash and cash equivalents		284,710	441,594	106,849	78,802

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

Muhibbah Engineering (M) Bhd. is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is Lot 579 and 586, 2nd Mile, Jalan Batu Tiga Lama, 41300 Klang, Selangor Darul Ehsan, Malaysia.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates and jointly controlled operations. The financial statements of the Company as at and for the financial year ended 31 December 2022 do not include other entities.

The Company is principally engaged in the provision of oil and gas, marine, infrastructure, civil and structural engineering contract works. The subsidiaries are involved in design, manufacture, commission, repair, maintenance and customisation of cranes, offshore supply vessels and anchor handling tugboats for oil and gas industry. The associates are mainly involved in international airport concessions in Cambodia and road maintenance concessions in Malaysia. The main business segments of the Group are stated in Note 28 to the financial statements. The principal activities of its subsidiaries are as stated in Note 5. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors on 14 April 2023.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

During the current financial year, the Group and the Company have adopted the following new accounting standards and interpretations (including the consequential amendments, if any):

MFRSs and/or IC Interpretations (Including the Consequential Amendments)

Amendments to MFRS 3: Reference to the Conceptual Framework
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018-2020

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's and the Company's financial statements.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The Group and the Company have not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
Amendments to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax relates to Assets and Liabilities arising from a Single Transaction	1 January 2023
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group and the Company upon their initial application.

(b) Basis of measurement

The financial statements have been prepared on historical cost basis except as disclosed in the notes to the financial statements.

(c) Functional and presentation currencies

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

There are no significant areas of estimation of uncertainty and critical judgements in applying accounting policies that have significant effects on the amounts recognised in the financial statements other than the estimation and judgment exercised by the Group as disclosed below:

(i) Recognition of revenue and profit from construction contracts

- Recognition of construction revenue by reference to the construction progress using the input method, determined based on proportion of construction costs incurred for work performed to date over the estimated total construction costs. Estimated total construction costs are based on approved budgets, which are subject to management's periodic review from time to time until completion. In making judgement, management relies on past experience to estimate and provide for variable consideration, using expected value or most likely amount.

(ii) Impairment of receivables

For trade receivables and contract assets, the Group:
- uses the simplified approach to estimate a lifetime expected credit loss allowance; and
- shall adjust (where necessary) for qualitative and quantitative reasonable and supportable forward-looking information.

For non-trade financial assets, the loss allowances are estimated based on the assumptions on risk of default and expected loss rates.

(iii) Impairment of Property and Equipment, Investment Properties, Investments in Associates and Right-of-use Assets

- Evaluation for impairment is subject to changes such as market performance, economic and political situation of the country.

(iv) Impairment of Goodwill

- Estimation of the value in use and the expected cash flows.

(v) Depreciation of Property and Equipment

- Estimation of the residual values, useful lives and related depreciation charges.

(vi) Income Taxes

- Estimation of the tax liabilities based on the Group's understanding of the prevailing tax laws.

The Directors have performed an assessment on the potential contingent liability arising from the tax dispute with tax authorities set out in Note 31 based on the legal view obtained from external legal counsel and the facts surrounding the Group's claims. Accordingly, the Directors are of the opinion that no provision is required in the financial statements for such potential tax liability up to the reporting date.

Please refer to the respective notes set out in this financial statements for further information on the accounting policies adopted by the Group.

2. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, 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 also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

(a) the fair value of the consideration transferred; plus
(b) the recognised amount of any non-controlling interests in the acquiree; plus
(c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
(d) the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

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.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) 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 the 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 former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of the influence retained.

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) 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 and accounted for as follows:

(a) A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

(b) A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investment in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vii) Affiliated company

An affiliated company to the Group is a company in which the ultimate holding company holds a long term investment of between 20% to 50% of the equity.

(viii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners 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.

(ix) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. Significant accounting policies (continued)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve (“FCTR”) in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 which are treated as assets and liabilities of the Company. The income and expenses of foreign operations in functional currencies other than RM are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments

(i) Recognition and initial measurement

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

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contact is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company 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 of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

(b) Fair value through other comprehensive income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(c) Fair value through profit or loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liability

The category of financial liability at initial recognition is as follows:

(a) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost/valuation less any accumulated depreciation and any accumulated impairment losses.

The Group and the Company adopted the policy to revalue their freehold land and leasehold land every 5 years or at shorter intervals whenever the fair values of the freehold land and leasehold land are expected to differ materially from their carrying values.

Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

Dry-docking costs are recognised in the carrying amount of ships, rigs, etc. when incurred and depreciated over the period until the next dry-docking.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives are as follows:

Drydock and slipway	45 years
Cranes	10 - 15 years
Plant and equipment	3 - 20 years
Motor vehicles	5 years

Buildings are depreciated on a straight-line basis over the shorter of 50 years or the lease period.

Capital work-in-progress included in property and equipment are not depreciated as these assets are not yet available for use.

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period.

2. Significant accounting policies (continued)

(e) Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjustment for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

(f) Investment properties

Investment properties carried at cost

Investment properties are properties which are owned or have right-of-use asset held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purpose.

Investment properties which are owned are stated at cost less accumulated depreciation and impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d). Cost includes expenditure that is directly attributable to the acquisition of the investment property.

The right-of-use asset held under a lease contract that meets the definition of investment property is measured initially similarly as other right-of-use assets.

Transfers between investment property and property, plant and equipment do not change the carrying amount and the cost of the property transferred.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

2. Significant accounting policies (continued)

(g) Other non-current assets

(i) Intangible asset

(a) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

Goodwill with indefinite useful lives are not amortised but are tested for impairment at the end of each reporting period and whenever there is an indication that goodwill may be impaired.

(b) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

(c) Intellectual property

Intellectual property consists of rights to trade name, knowhow and industrial property rights and is stated at cost less any accumulated amortisation and any impairment losses.

(d) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(e) Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired. Other intangible assets are amortised from the date that they are available for use. Amortisation of intangible assets is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets of 5 to 10 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

2. Significant accounting policies (continued)

(g) Other non-current assets (continued)

(ii) Land held for property development

Development costs consist of land and development costs where no development activities are carried out or where development activities are not expected to be completed within the normal operating cycle. Such land and development costs are carried at cost less and accumulated impairment losses.

Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Pre-acquisition costs are charged to profit or loss as incurred unless such costs are directly identifiable to the consequent property development activity.

Non-current property development costs are transferred to the current asset when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(iii) Non-current assets held for sale

Non-current assets (or disposal group comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the non-current assets (or the disposal group) are remeasured in accordance with the Group's accounting policies. Upon classification as held for sale, the non-current assets (or non-current assets of the disposal group) are not depreciated and are measured at the lower of their previous carrying amount and fair value less cost to sell. Any differences are recognized in profit or loss.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work in progress, manufactured inventories and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Cost of crane components comprises the original purchase price plus incidentals in bringing these inventories to their present location and condition. Cost of work-in-progress and assembled cranes consists of crane components, direct labour and an appropriate proportion of fixed and variable production overheads. Crane components are determined on a first-in, first-out basis. Cost of work-in-progress and assembled cranes is determined on a specific identification basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Contract costs

Cost to fulfil a contract

The Group recognises costs that relate directly to a contract (or an anticipated contract) with customer as an asset when the costs generate or enhance resources of the Group, will be used in satisfying performance obligation in the future and are recovered.

The contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates.

An impairment loss is recognised in the profit or loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Any impairment loss recovered shall be reversed to the extent of the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

2. Significant accounting policies (continued)

(j) Contract asset/liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments*.

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances, demand deposits, bank overdrafts and deposits with financial institution and highly liquid investments that are readily convertible to known amounts of cash and which have an insignificant risk of changes in value with original maturity periods of 3 months or less.

(l) Impairment

(i) Financial assets

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 lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances 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, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables 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 and the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, 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 and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

2. Significant accounting policies (continued)

(l) Impairment (continued)

(i) Financial assets (continued)

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.

At each reporting date, the Group and the Company assesses whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that 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. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group and the Company's procedures for recovery amounts due.

(ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets and deferred tax) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit.

The recoverable amount of an assets or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

2. Significant accounting policies (continued)

(m) Equity instruments

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

(i) *Issue expenses*

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) *Ordinary shares*

Ordinary shares are classified as equity and recorded the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(iii) *Preference share capital*

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distribution within equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

(iv) *Repurchase of share capital*

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity. When treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share distributable reserves.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(n) Loans and borrowings

Loans and borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and redemption value is recognised in the profit or loss over the period of the loans and borrowings using the effective interest method.

2. Significant accounting policies (continued)

(o) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of wages salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contributions to the Employees Provident Fund are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(p) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

2. Significant accounting policies (continued)

(q) Revenue

Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Contract Revenue

(i) *Engineering, procurement, construction and commissioning works, engineering services, construction of cranes and vessels*

Construction contracts for the above works comprise multiple deliverables which are highly integrated and are therefore recognised as a single performance obligation.

Revenue from the above (other than construction of vessels) is recognised progressively based on the proportion of construction costs incurred for work performed to date over estimated total construction costs. Revenue from construction contract for built-to-order vessel is recognised over time in the period in which the services are rendered using the output method by reference to the construction progress based on the physical proportion of construction work.

Transaction price for construction contract is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and penalties. Past experience is used to estimate and provide for the variable consideration, using most likely method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognised when the construction services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the construction services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised.

2. Significant accounting policies (continued)

(q) Revenue (continued)

Sales of goods and components

(ii) Sale of spare parts for crane and industrial information technology equipment

Revenue from sale of these products, including ready-made cranes and vessels, are recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Services rendered

(iii) Rendering of crane maintenance and rental services

Revenue from providing crane maintenance and rental services is recognised over time in the period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

(iv) Vessel chartering

The service element of the Group’s time charter contracts is recognised over time in the period when the services are rendered, since the performance obligation is satisfied over time. When the customer simultaneously receives and consumes the benefits provided by the Group’s performance (such as revenues from reimbursements, bunkers and other goods and services provided to customers), related revenues are recognised in the period in which such goods or services are transferred to the customers.

Other revenue

(v) Dividend income

Dividend income is recognised in profit or loss on the date that the Group’s or the Company’s right to receive payment is established.

(r) Other income

(i) Rental income

Rental income from investment property is recognised in profit or loss as it accrues over the term of the lease.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

2. Significant accounting policies (continued)

(s) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(t) Income tax

(i) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and 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 recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

2. Significant accounting policies (continued)

(u) Earnings per ordinary share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(w) Purchase price allocation

Purchase prices related to business combinations are allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. The determination of fair value required the Group to make assumptions, estimates and judgements regarding future events. The allocation process is inherently subjective and impacts the amount assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impact the Group's reported assets (including goodwill) and liabilities, future net earnings due to the impact on future depreciation and amortisation expense and impairment tests.

(x) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and 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 principle market, in the most advantageous market.

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Property, plant and equipment

Group	Land RM'000	Buildings RM'000	Drydock and slipway RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Subtotal RM'000	Right-of-use assets RM'000	Total RM'000
Cost/Valuation									
At 1 January 2021	464,765	242,590	45,368	361,587	730,110	3,454	1,847,874	77,097	1,924,971
Additions	5,000	1,124	-	22,372	7,084	1,002	36,582	11,626	48,208
Disposals	(50)	(285)	-	(1,050)	(18,804)	-	(20,189)	-	(20,189)
Modification of lease	-	-	-	-	-	-	-	(1,338)	(1,338)
Reclassification	-	1,899	-	(13)	1,159	(3,045)	-	-	-
Written off	-	-	-	(569)	(2,567)	-	(3,136)	-	(3,136)
Exchange differences	1,140	(508)	-	(7,754)	8,006	-	884	(2,276)	(1,392)
At 31 December 2021/ 1 January 2022	470,855	244,820	45,368	374,573	724,988	1,411	1,862,015	85,109	1,947,124
Additions	-	764	-	21,003	5,896	6,018	33,681	12,388	46,069
Disposals	-	(196)	-	(18,526)	(80,757)	-	(99,479)	-	(99,479)
Written off	-	-	-	-	(72,875)	-	(72,875)	-	(72,875)
Modification of lease	-	-	-	-	-	-	-	(2,702)	(2,702)
Revaluation surplus	87,286	12,083	-	-	-	-	99,369	-	99,369
Reclassification to inventories	-	-	-	-	60,463	-	60,463	-	60,463
Reclassification to assets held for sale	(3,141)	(1,461)	-	-	-	-	(4,602)	-	(4,602)
Transfers	-	-	-	597	3	(600)	-	-	-
Acquisition of subsidiaries	-	-	-	-	584	-	584	575	1,159
Exchange differences	1,876	393	-	(1,010)	16,656	-	17,915	(44)	17,871
At 31 December 2022	556,876	256,403	45,368	376,637	654,958	6,829	1,897,071	95,326	1,992,397
Accumulated depreciation and impairment losses									
At 1 January 2021	23,595	92,151	22,242	108,875	603,998	-	850,861	22,057	872,918
Depreciation for the year	4,214	5,486	1,019	22,175	35,990	-	68,884	6,603	75,487
Disposals	-	(172)	-	(769)	(17,286)	-	(18,227)	-	(18,227)
Reclassification	-	5	-	1	(6)	-	-	-	-
Written off	-	-	-	(145)	(2,443)	-	(2,588)	-	(2,588)
Reversal of impairment loss	-	-	-	-	(9,807)	-	(9,807)	-	(9,807)
Modification of lease	-	-	-	-	-	-	-	(729)	(729)
Exchange differences	-	(420)	-	(2,677)	6,516	-	3,419	(441)	2,978
Accumulated depreciation	27,809	81,428	23,261	126,924	570,765	-	830,187	27,490	857,677
Accumulated impairment loss	-	15,622	-	536	46,197	-	62,355	-	62,355
At 31 December 2021/ 1 January 2022	27,809	97,050	23,261	127,460	616,962	-	892,542	27,490	920,032
Depreciation for the year	2,809	6,027	1,019	22,770	32,835	-	65,460	7,536	72,996
Disposals	-	(52)	-	(13,375)	(73,498)	-	(86,925)	-	(86,925)
Acquisition of subsidiaries	-	-	-	-	377	-	377	133	510
Written off	-	-	-	-	(71,963)	-	(71,963)	-	(71,963)
Provision for impairment loss	-	-	-	-	12,823	-	12,823	-	12,823
Reclassification to assets held for sale	(431)	(877)	-	-	-	-	(1,308)	-	(1,308)
Modification of lease	-	-	-	-	-	-	-	(1,998)	(1,998)
Exchange differences	-	295	-	(119)	14,715	-	14,891	160	15,051
Accumulated depreciation	30,187	86,821	24,280	136,200	473,231	-	750,719	33,321	784,040
Accumulated impairment loss	-	15,622	-	536	59,020	-	75,178	-	75,178
At 31 December 2022	30,187	102,443	24,280	136,736	532,251	-	825,897	33,321	859,218
Carrying amounts									
At 1 January 2021	441,170	150,439	23,126	252,712	126,112	3,454	997,013	55,040	1,052,053
At 31 December 2021/ 1 January 2022	443,046	147,770	22,107	247,113	108,026	1,411	969,473	57,619	1,027,092
At 31 December 2022	526,689	153,960	21,088	239,901	122,707	6,829	1,071,174	62,005	1,133,179

3. Property, plant and equipment (continued)

Company	Land RM'000	Buildings RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost/Valuation						
At 1 January 2021	160,708	10,496	18,976	134,447	356	324,983
Additions	5,000	-	96	334	41	5,471
Disposals	(51)	(285)	(1,050)	(6,798)	-	(8,184)
Written off	-	-	-	(1,167)	-	(1,167)
At 31 December 2021/ 1 January 2022	165,657	10,211	18,022	126,816	397	321,103
Additions	-	-	-	1,296	494	1,790
Disposals	-	-	(10,224)	(20,875)	-	(31,099)
Written off	-	-	-	(445)	-	(445)
Reclassification to assets held for sale	(3,141)	-	-	-	-	(3,141)
Revaluation loss	(55,097)	-	-	-	-	(55,097)
At 31 December 2022	107,419	10,211	7,798	106,792	891	233,111
Accumulated depreciation						
At 1 January 2021	6,440	1,037	14,145	102,593	-	124,215
Depreciation for the year	2,038	206	1,223	6,195	-	9,662
Disposals	-	(172)	(770)	(6,333)	-	(7,275)
Written off	-	-	-	(1,143)	-	(1,143)
At 31 December 2021/ 1 January 2022	8,478	1,071	14,598	101,312	-	125,459
Depreciation for the year	622	204	642	4,986	-	6,454
Disposals	-	-	(8,910)	(17,735)	-	(26,645)
Written off	-	-	-	(445)	-	(445)
Reclassification to assets held for sale	(431)	-	-	-	-	(431)
At 31 December 2022	8,669	1,275	6,330	88,118	-	104,392
Carrying amounts						
At 1 January 2021	154,268	9,459	4,831	31,854	356	200,768
At 31 December 2021/ 1 January 2022	157,179	9,140	3,424	25,504	397	195,644
At 31 December 2022	98,750	8,936	1,468	18,674	891	128,719

Security

The freehold land, buildings and certain long term leasehold land of the Group with total net book value of RM169,290,000 (2021 – RM168,618,000) have been charged to certain licensed banks as security for term loan facilities granted to the Group (Note 16).

Property, plant and equipment under the revaluation model

Had the freehold land and leasehold land been carried under the cost model, the net book value of the Group's freehold land would have been RM85,881,000 (2021 – RM74,973,000) and Group and Company's leasehold land would have been RM59,700,000 (2021 - RM57,660,000) and RM15,217,000 (2021 – RM15,421,000) respectively.

3. Property, plant and equipment (continued)

Land

Included in the carrying amounts of land are:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Freehold land	272,456	128,197	-	-
Long term leasehold land*	254,233	314,849	98,750	157,179
	526,689	443,046	98,750	157,179

* Leasehold land are in respect of right-of-use assets of which the Group has land titles.

Right-of-use assets

Included in the carrying amounts of the right-of-use assets are:

Group	Buildings RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Total RM'000
2022				
At 1 January 2022	7,568	50,026	25	57,619
Additions during the year	7,189	5,199	-	12,388
Acquisition of subsidiaries	442	-	-	442
Depreciation	(2,999)	(4,512)	(25)	(7,536)
Modification of lease liability	(704)	-	-	(704)
Exchange differences	126	(330)	-	(204)
At 31 December 2022	11,622	50,383	-	62,005
2021				
At 1 January 2021	6,440	48,546	54	55,040
Additions during the year	4,250	7,376	-	11,626
Depreciation	(2,592)	(3,982)	(29)	(6,603)
Modification of lease liability	(609)	-	-	(609)
Exchange differences	79	(1,914)	-	(1,835)
At 31 December 2021	7,568	50,026	25	57,619

4. Investment properties

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cost				
At 1 January/31 December	629	629	13,993	13,993
Disposals	(315)	-	(364)	-
Reclassification to assets held for sale	-	-	(1,461)	-
	314	629	12,168	13,993
Accumulated depreciation and impairment loss				
At 1 January	439	427	3,058	2,781
Depreciation for the year	8	12	276	277
Disposals	(223)	-	(249)	-
Reclassification to assets held for sale	-	-	(877)	-
At 31 December	224	439	2,208	3,058
Carrying amounts				
At 31 December	90	190	9,960	10,935
Included in the above are:				
Freehold land	47	94	47	94
Buildings	43	96	9,913	10,841
	90	190	9,960	10,935

Investment properties of the Group comprise a number of commercial properties that are leased to third parties. Certain investment properties of the Company were leased to companies within the Group for their respective own use and accordingly classified as property, plant and equipment in the consolidated statements of financial position.

Market value

The market value of the investment properties presented on an aggregated basis is as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Market value of investment properties - aggregated basis	1,000	2,000	77,772	73,591

The market value of the investment properties of the Group and of the Company were derived at by reference to market indication of transaction prices for similar properties within the same/adjacent location. Market indication of transaction prices are adjusted for differences in key attributes such as property size.

The Directors estimated the fair values of the Group's investment properties without involvement of independent valuers.

5. Investments in subsidiaries

	Company	
	2022 RM'000	2021 RM'000
Ordinary shares		
Quoted shares - in Malaysia	124,130	104,770
Unquoted shares - at cost	257,439	257,439
	381,569	362,209
Less: Impairment losses	(132,954)	(124,584)
	248,615	237,625
Market value		
Quoted shares in Malaysia	243,607	322,538

The principal activities of the subsidiaries, their places of incorporation and the interest of the Company are as follows:

Company	Principal activities	Country of incorporation	Effective ownership interest 2022 %	2021 %
Cranes segment				
Favelle Favco Berhad @ and its subsidiaries:	Investment holding	Malaysia	60.6	60.1
Favelle Favco Cranes (M) Sdn. Bhd.	Manufacturing of cranes	Malaysia	60.6	60.1
Favelle Favco Cranes Pte. Ltd.*	Trading of cranes, spare parts and services	Singapore	60.6	60.1
Favelle Favco Cranes (USA), Inc.*	Manufacturing of cranes	United States of America	60.6	60.1
Favelle Favco Cranes Pty Limited* and its subsidiaries:	Manufacturing of cranes	Australia	60.6	60.1
FF Management Pty. Limited*	Management services	Australia	60.6	60.1
Milperra Blasting and Coating Pty. Limited*	Dormant	Australia	60.6	60.1
Kroll Cranes A/S*	Manufacturing of cranes	Denmark	60.6	60.1
FES Equipment Services Sdn. Bhd.	Hiring and repair of cranes	Malaysia	60.6	60.1

5. Investments in subsidiaries (continued)

The principal activities of the subsidiaries, their places of incorporation and the interest of the Company are as follows: (continued)

Company	Principal activities	Country of incorporation	Effective ownership interest 2022 %	2021 %
Cranes segment (continued)				
Favelle Favco Winches Pte. Ltd.*	Design, fabrication, trading, service and rental of winches, hydraulic system and material handling equipment	Singapore	60.6	60.1
Favelle Favco Management Services Sdn. Bhd.*	Struck-off	Malaysia	-	60.1
Shanghai Favco Engineering Machinery Manufacturing Co. Ltd.*^	Manufacturing of cranes	China	48.5	48.1
Exact Automation Sdn. Bhd.^	Providing integrated industrial automation solutions on the design, engineering, testing, project management and maintenance of plant instrumentation	Malaysia	42.4	42.1
Exact Analytical Sdn. Bhd.^	Trading, providing engineering services on the installation, commissioning and maintenance of environmental and process analysers	Malaysia	42.4	42.1
Exact Oil & Gas Sdn. Bhd.^	Trading, engineering and maintenance of specialised equipment used in the oil and gas industry	Malaysia	-	42.1
Sedia Teguh Sdn. Bhd.^	Trading and maintenance of specialised equipment used in the oil and gas industry	Malaysia	42.4	42.1
Strata Niaga Sdn. Bhd.^	Trading and engineering in oil & gas and power industry	Malaysia	42.4	-
Strata Niaga (B) Sdn. Bhd.^	Trading and engineering in oil & gas and power industry	Brunei	21.6	-

5. Investments in subsidiaries (continued)

The principal activities of the subsidiaries, their places of incorporation and the interest of the Company are as follows: (continued)

Company	Principal activities	Country of incorporation	Effective ownership interest 2022 %	2021 %
Marine shipbuilding and ship repair segment				
Muhibbah Marine Engineering Sdn. Bhd. and its subsidiary:	Shipbuilding, renting of ship, providing ship repair services, trading of marine supplies and provision of other engineering works	Malaysia	100	100
Energy Ocean Ltd.+	Liquidated	Labuan	-	100
Infrastructure construction segment				
Juara Lagi Sdn. Bhd.#	Vessel chartering services	Malaysia	100	100
Elelink Sdn. Bhd.*# and its subsidiaries:	Investment holding	Malaysia	100	100
ITS Konsortium Sdn. Bhd.	Investment holding	Malaysia	100	100
Muhibbah O&G Sdn. Bhd.#	Oil, gas, petrochemical engineering and related works	Malaysia	100	100
Muhibbah Engineering (Singapore) Pte. Ltd.*	Civil and structural engineering contract works	Singapore	100	100
MEB Construction Sdn. Bhd.#	Civil and structural engineering contract works	Malaysia	100	100
Muhibbah Steel Industries Sdn. Bhd.*	Structural steel fabrication and related works	Malaysia	100	100
Muhibbah Airline Support Industries Sdn. Bhd.	Manufacturing and services for airline support equipment	Malaysia	100	100
Muhibbah Marine Engineering (Deutschland) GmbH*	Under members' voluntary liquidation	Germany	95	95
Muhibbah Masteron Cambodia JV Limited*	Investment holding and civil and structural engineering contract works	Cambodia	70	70

5. Investments in subsidiaries (continued)

The principal activities of the subsidiaries, their places of incorporation and the interest of the Company are as follows: (continued)

Company	Principal activities	Country of incorporation	Effective ownership interest 2022 %	Effective ownership interest 2021 %
Infrastructure construction segment (continued)				
Ann Bee (M) Sdn. Bhd.*	Manufacture of aluminium foils and carbonless papers	Malaysia	100	100
Muhibbah Maritime Hub Sdn. Bhd.*	Distribution and marketing of construction materials	Malaysia	100	100
Aspect Saga Sdn. Bhd.* and its subsidiaries:	Investment holding	Malaysia	100	100
IDS Cahaya Sdn. Bhd.*	Investment holding	Malaysia	100	100
IDS Cahaya Ltd.#	Offshore leasing business	Labuan	100	100
IDS Darussalam Sdn. Bhd. *	Dormant	Malaysia	100	100
IDS Offshore Sdn. Bhd. *	Dormant	Malaysia	100	100
Muhibbah Steel Kuantan Sdn. Bhd.*	Manufacturing of containers and refrigerator containers	Malaysia	100	100
Khas Jejaka Sdn. Bhd.* and its subsidiary:	Investment holding	Malaysia	100	100
Inno Marine Services Sdn. Bhd.*#	Marine leasing activities	Malaysia	100	100
Muhibbah International Labuan Ltd.	Offshore leasing and international trade business	Labuan	100	100
Muhibbah Offshore Services Ltd.	Offshore leasing business	Labuan	95	95
Muhibbah Engineering (Cambodia) Co. Ltd.*#	Property development and trading in real estates	Cambodia	60	60
Muhibbah Prospect Sdn. Bhd.	Civil, marine and structural engineering contract works	Malaysia	100	100
Citech Energy Recovery System Malaysia Sdn. Bhd.*# and its subsidiary:	Manufacture of waste heat recovery units for the oil and gas industry	Malaysia	100	100
Citech Energy Recovery Solutions UK (Ltd)*	Trading of waste heat recovery units, spare parts and other services	United Kingdom	100	100

5. Investments in subsidiaries (continued)

The principal activities of the subsidiaries, their places of incorporation and the interest of the Company are as follows: (continued)

Company	Principal activities	Country of incorporation	Effective ownership interest 2022 %	2021 %
Infrastructure construction segment (continued)				
CB International Engineering Sdn. Bhd.	Rental of investment properties and related services and provision of vessel chartering services	Malaysia	100	100
Muhibbah Construction Pty. Limited.*#	Dormant	Australia	100	100
Muhibbah Engineering Middle East LLC*#	Civil and structural engineering contract works	Qatar	90	90
Karisma Duta Sdn. Bhd.*# and its subsidiary:	Dormant	Malaysia	100	100
Karisma Project Management Inc*#	Under members' voluntary liquidation	Philippines	100	100
Muhibbah Oil & Gas Sdn. Bhd.*	Dormant	Malaysia	100	100
Muhibbah Defense Engineering Sdn. Bhd.	Dormant	Malaysia	100	100
Sun Vibrant Sdn. Bhd.* and its subsidiary:	Dormant	Malaysia	100	100
MCI Philippines Corp.*#	Under members' voluntary liquidation	Philippines	100	100
Muhibbah Marine Kuantan Sdn. Bhd.#*	Dormant	Malaysia	100	100
Muhibbah Corporation (L) Ltd.#	Dormant	Labuan	100	100
Cambodia Land Ltd.#	Struck-off	Labuan	-	100
Muhibbah Engineering (Philippines) Corporation*#	Civil and structural engineering contract works	Philippines	100	100
Muhibbah Airport Management Sdn. Bhd.*	Dormant	Malaysia	100	100
Muhibbah Myanmar Company Ltd.*	Civil and structural engineering contract works	Myanmar	100	100
Muhibbah Engineering Laos Co., Ltd.*	Dormant	Laos	70	70

5. Investments in subsidiaries (continued)

The principal activities of the subsidiaries, their places of incorporation and the interest of the Company are as follows: (continued)

Company	Principal activities	Country of incorporation	Effective ownership interest 2022 %	2021 %
Concession segment				
Muhibbah Airport Services (Labuan) Ltd.#	Investment holding	Labuan	70	70

* Subsidiaries not audited by Crowe Malaysia PLT.

\# The auditors' reports on the audited financial statements of the subsidiaries contained an emphasis on the reliance of these subsidiaries on the continuing financial support from the Company and/or bankers in order to continue operating as going concerns.

^ These companies are considered subsidiaries although the Company does not own more than 50% of its equity shares because the financing and operating policies are governed by the Board which is controlled by the Company.

@ During the financial year, the Group's effective ownership in Favelle Favco Berhad increased through acquisition of shares from open market by the Company.

\+ During the financial year, the subsidiary has been placed under members' voluntary liquidation and was de-registered from the local Registrar of Companies.

During the financial year, the Company has assessed the recoverable amount of investments in subsidiaries due to the decline in net assets position and continuing losses incurred by certain subsidiaries as at the end of the current reporting period. An impairment loss of RM8,370,000 (2021: RM4,578,000) was provided on the cost of investments.

Non-controlling interests in subsidiaries

The following table lists out the information relating to Favelle Favco Berhad, which has non-controlling interest ("NCI") that are material to the Group. The summarised financial information presented below represents the amount before any inter-company elimination.

	Group	
	2022 RM'000	2021 RM'000
NCI percentage	39.4%	39.9%
Carrying amount of NCI	286,309	312,585
Profit allocated to NCI	15,269	19,734
Dividends paid to NCI	86,322	7,416
Total assets	1,368,878	1,327,811
Total liabilities	636,011	533,540
Revenue	594,773	610,215
Profit for the year	42,568	52,763
Net cash flows from operating activities	38,787	60,642
Net cash flows used in investing activities	(26,872)	(24,715)
Net cash flows used in financing activities	(174,730)	(73,637)

6. Investments in associates

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unquoted shares				
- At cost	109,103	101,967	40,471	33,335
- Share of post-acquisition reserves	619,923	591,954	-	-
	729,026	693,921	40,471	33,335
Less: Impairment loss	(9,306)	(1,565)	(7,436)	(300)
	719,720	692,356	33,035	33,035

Details of the associates are as follows:

Company	Principal activities	Country of incorporation	Effective ownership interest 2022 %	2021 %
Concession segment				
Roadcare (M) Sdn. Bhd.*@	Operation and maintenance of roadways and bridges	Malaysia	21	21
Société Concessionnaire de l' Aéroport *# @	Operator and concessionaire of airports in Cambodia	Cambodia	21	21
Cambodia Airport Management Services Ltd.*# @	Provision of airport management services	Cambodia	21	21
Infrastructure construction segment				
Freyssinet PSC (M) Sdn. Bhd.*@	Civil engineering and construction works	Malaysia	50	50
Wabag Muhibbah JV Sdn. Bhd.*@+	Engineering, procurement, construction and commissioning of effluent treatment plant	Malaysia	30	30
M&G Sutera 8 Sdn. Bhd. *@	Ship management services	Malaysia	40	40
Cranes segment				
Favco Offshores Sdn. Bhd.#	Manufacture, supply, servicing and renting of cranes	Malaysia	18.2	18
Favelle Favco Machinery and Equipment L.L.C*#	Trading and rental of construction equipment	United Arab Emirates	29.7	29.4
Favco Heavy Industry (Changshu) Co., Ltd.*#	Supply, renting and servicing of lifting equipment and spare parts	China	30.3	30.1

6. Investments in associates (continued)

Details of the associates are as follows: (continued)

* Associates not audited by Crowe Malaysia PLT.

\# Associates of subsidiaries of Muhibbah Engineering (M) Bhd.

\+ Financial year ended as at 31 March.

@ The results of the associates are accounted for using management accounts.

Summary financial information of major associates

The major associates of the Group, adjusted for any differences in accounting policies and the carrying amounts in the consolidated financial statements, are disclosed below:

	Group	
	2022 RM'000	2021 RM'000
Gross amount of the major associates		
Non-current assets	1,927,022	1,943,153
Current assets	757,527	609,672
Non-current liabilities	198,173	168,206
Current liabilities	166,873	165,300
Revenue	826,943	687,477
Loss for the year	(5,598)	(81,109)
Dividends received	4,100	8,200
Carrying amount in the consolidated financial statements	712,160	684,598

Aggregate information of immaterial associates

	Group	
	2022 RM'000	2021 RM'000
Aggregate carrying amount	7,557	7,756
Aggregate amount of the group share:		
- Loss for the year	(163)	(1,489)

7. Receivables, deposits and prepayments

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current					
Non-trade					
Amount due from associates	7.1	6,585	6,248	-	-
Less: Allowance for impairment loss	30.3	(1,552)	(1,428)	-	-
		5,033	4,820	-	-
Current Trade					
Trade receivables	7.2	314,569	334,260	38,205	44,413
Amount due from subsidiaries	7.3	-	-	898,685	1,045,768
Amount due from associates	7.1	122,775	114,946	-	-
		437,344	449,206	936,890	1,090,181
Less: Allowance for impairment loss	30.3	(91,083)	(88,280)	(322,873)	(207,539)
		346,261	360,926	614,017	882,642
Non-trade					
Amount due from subsidiaries	7.3	-	-	303,425	233,863
Amount due from associates	7.1	13,261	14,412	2,883	2,564
Other receivables		50,684	57,849	1,178	7,271
		63,945	72,261	307,486	243,698
Less: Allowance for impairment loss	30.3	(20,256)	(23,305)	(63,889)	(75,810)
		43,689	48,956	243,597	167,888
Deposits		9,523	5,653	6,364	3,011
Prepayment		21,285	20,690	2,606	2,278
		74,497	75,299	252,567	173,177
		420,758	436,225	866,584	1,055,819
Non-current and current		425,791	441,045	866,584	1,055,819

7. Receivables, deposits and prepayments (continued)

7.1 Amounts due from associates

The amounts due from associates of the Group and of the Company are unsecured, interest free and have no fixed terms of repayment, except for an amount due from an associate of RM5,033,000 (2021 - RM4,820,000) which is subject to interest rate of 1% (2021 - 1%) per annum.

7.2 Trade receivables

Analysis of foreign currency exposure for significant receivables

Included in trade receivables (net of impairment) are major receivables denominated in currencies other than the functional currency, as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Euro	498	4,162	-	-
Chinese Renminbi	15,066	-	-	-
Singapore Dollar	252	10,993	-	-
US Dollar	70,199	28,513	206	784

Also included in trade receivables of the Group and of the Company are retention sums of RM59,053,000 (2021 - RM58,286,000) and RM17,178,000 (2021 - RM17,806,000) respectively, the collection of which are expected upon expiry of the respective projects' warranty period.

7.3 Amount due from subsidiaries

The trade receivables due from subsidiaries are subject to the normal credit terms ranging from 30 to 150 days (2021 - 30 to 150 days).

The non-trade receivables due from subsidiaries are unsecured, interest free and repayable on demand.

8. Deferred tax (assets) and liabilities

Recognised deferred tax (assets) and liabilities

Deferred tax (assets) and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Group						
Property, plant and equipment	8,506	-	146,113	111,969	154,619	111,969
Tax losses carry forward	(25,109)	(25,389)	(320)	-	(25,429)	(25,389)
Other temporary differences	(33,848)	(31,176)	(15,319)	-	(49,167)	(31,176)
Tax (assets)/liabilities	(50,451)	(56,565)	130,474	111,969	80,023	55,404
Set off of tax	21,607	32,561	(21,607)	(32,561)	-	-
Net tax (assets)/liabilities	(28,844)	(24,004)	108,867	79,408	80,023	55,404
Company						
Property, plant and equipment	-	-	21,607	34,830	21,607	34,830
Tax losses carry forward	(25,000)	(25,000)	-	-	(25,000)	(25,000)
Tax (assets)/liabilities	(25,000)	(25,000)	21,607	34,830	(3,393)	9,830
Set off of tax	21,607	25,000	(21,607)	(25,000)	-	-
Net tax (assets)/liabilities	(3,393)	-	-	9,830	(3,393)	9,830

Unrecognised deferred tax assets

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unabsorbed capital allowances	214,277	219,056	81,194	75,611
Tax losses carry forward	928,922	726,680	669,494	458,478
Other temporary differences	308,236	385,302	300,863	284,507
	1,451,435	1,331,038	1,051,551	818,596

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

8. Deferred tax (assets) and liabilities (continued)

Movement in temporary differences during the financial year

	Property, plant and equipment RM'000	Tax losses carry forward RM'000	Other temporary differences RM'000	Total RM'000
Group				
As at 1 January 2021	111,190	(25,581)	(30,261)	55,348
Recognised in profit or loss (Note 24)	779	192	(389)	582
Foreign exchange differences	-	-	(526)	(526)
As at 31 December 2021/ 1 January 2022	111,969	(25,389)	(31,176)	55,404
Recognised in profit or loss (Note 24)	13,189	(40)	(18,004)	(4,855)
Effect of revaluation	29,295	-	-	29,295
Foreign exchange differences	166	-	13	179
As at 31 December 2022	154,619	(25,429)	(49,167)	80,023
Company				
As at 1 January 2021/31 December 2021/ 1 January 2022	34,830	(25,000)	-	9,830
Effect of revaluation	(13,223)	-	-	(13,223)
31 December 2022	21,607	(25,000)	-	(3,393)

9. Other non-current assets

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other investments	10,383	198	130	9
Goodwill	75,283	71,183	-	-
Land held for development	16,906	14,393	-	-
Development costs	8,812	7,883	-	-
Intellectual property	170	50	-	-
	111,554	93,707	130	9

9. Other non-current assets (continued)

	Land held for development Group		Development costs Group	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cost				
At 1 January	14,393	12,147	13,875	21,279
Additions	2,513	2,246	920	493
Write off	-	-	-	(8,895)
Exchange difference	-	-	12	998
At 31 December	16,906	14,393	14,807	13,875
Accumulated impairment/amortisation				
At 1 January	-	-	5,992	13,599
Amortisation charge for the year	-	-	6	6
Reversal of impairment	-	-	-	(8,499)
Exchange difference	-	-	(3)	886
At 31 December	-	-	5,995	5,992
Carrying amounts				
At 1 January	14,393	12,147	7,883	7,680
At 31 December	16,906	14,393	8,812	7,883

Land held for development

The long term leasehold land in a foreign subsidiary is registered in the name of its director cum minority shareholder who holds the property in trust for the foreign subsidiary.

Development costs

Development costs represent internally generated development expenditure by subsidiaries on new or substantially improved projects. It is reasonably anticipated that the development expenditure will be recovered through future commercial activity. The amortisation period of development expenditure ranged from 1 year to 5 years (2021 - 1 year to 5 years).

9. Other non-current assets (continued)

	Intellectual property Group	
	2022 RM'000	**2021 RM'000**
Cost		
At 1 January/31 December	1,800	1,800
Additions	135	-
	1,935	1,800
Accumulated impairment/amortisation		
At 1 January	1,750	1,744
Amortisation charge for the year	15	6
At 31 December	1,765	1,750
Carrying amounts		
At 1 January	50	56
At 31 December	170	50

Intellectual property represents the acquisition of know-how, rights to industrial property and trade name by subsidiaries. It is reasonably anticipated that the intellectual property will be recovered through future commercial activity.

Goodwill

	2022 RM'000	**2021 RM'000**
Group		
Carrying amounts		
At 1 January/31 December	75,283	71,183

9. Other non-current assets (continued)

The Group has assessed the recoverable amounts of goodwill allocated and determined that no impairment is required. The recoverable amounts of the cash-generating units are determined using the value in use approach, and this is derived from the present value of the future cash flows from each cash-generating unit computed based on the projections of financial budgets approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amounts are as follows:

	Average gross margin		Average growth rate		Discount rate		Terminal growth rate	
	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %
Intelligent automation group	24 - 29	29	5 - 7	6	10	10	0	0

The key assumptions represent management's assessment based on past operating results and management's expectations of market conditions and assessment of future trends derived from both external and internal sources.

Management has determined the average gross profit margin and weighted average growth rate based on past performance and its expectation of market development. The discount rate used are computed based on the weighted average cost of capital of the industries that the Group operates in.

The management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the goodwill to be materially higher than its recoverable amount.

10. Contract assets/(liabilities)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Contract Assets				
Contract assets relating to contracts	310,520	344,459	119,224	154,124
Allowance for impairment losses (Note 30.3(ii))	(26,346)	(26,434)	(7,892)	(8,241)
	284,174	318,025	111,332	145,883
Contract liabilities	(186,384)	(207,312)	(26,590)	(32,988)

10. Contract assets/(liabilities) (continued)

The changes to contract asset and contract liability balances during the financial year are summarised below:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	110,713	64,126	112,895	108,088
Revenue recognised in profit or loss during the financial year	557,168	662,853	147,270	277,862
Progress billings	(575,745)	(633,798)	(176,235)	(276,643)
Reversal of credit loss on contract assets	92	20,503	349	64
Reversal of/(provision for) foreseeable losses for contract assets	5,538	(9,752)	463	3,524
Reclassification	-	6,901	-	-
Exchange difference	24	(120)	-	-
At 31 December	97,790	110,713	84,742	112,895
Represented by:				
Contract assets	284,174	318,025	111,332	145,883
Contract liabilities	(186,384)	(207,312)	(26,590)	(32,988)
	97,790	110,713	84,742	112,895

11. Inventories

	2022 RM'000	2021 RM'000
Group		
At cost:		
Raw material	13,420	7,071
Crane	285	-
Crane components	91,354	78,401
Work-in-progress	64,228	56,370
Manufactured and trading inventories	-	37
Land held for sale	25,469	17,729
	194,756	159,608
At net realisable value:		
Cranes	21,855	39,712
Crane components	22,679	109,209
Work-in-progress	60,561	-
	299,851	308,529
Company		
At cost:		
Work-in-progress	1,732	400

12. Cash flow information

12.1 The cash and bank balances comprised the following:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deposits placed with licensed banks	24,489	91,886	-	1,352
Short-term funds	103,475	146,544	73,500	57,000
Cash and bank balances	180,455	212,385	34,341	20,776
	308,419	450,815	107,841	79,128

The deposits with licensed banks of the Group and of the Company at the end of the reporting period bore effective interest rates ranging from 1.0% to 3.8% (2021 – 1.0% to 4.3%) per annum and NIL (2021 – 1.5%) per annum respectively.

Short-term funds represent investment in highly liquid money market, which is readily convertible to a known amount of cash. The effective interest rates of the Group and of the Company range from 1.2% to 4.9% (2021: 1.2% to 4.9%) and 1.2% to 2% (2021 -1.2% to 2%) per annum respectively.

12.2 The cash disbursed for the purchase of property, plant and equipment is as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cost of property, plant and equipment purchased (Note 3)	46,069	48,208	1,790	5,471
Amount financed through hire purchase	(5,199)	(7,376)	-	-
New lease acquired	(7,189)	(4,250)	-	-
Cash disbursed for purchase of property, plant and equipment	33,681	36,582	1,790	5,471

12. Cash flow information (continued)

12.3 The reconciliation of liabilities arising from financing activities are as follows:

Group	Term Loans & Revolving Credit RM'000	Bills Payable RM'000	Lease & Insurance Premium Finance RM'000	Total RM'000
2022				
At 1 January	512,998	451,753	41,351	1,006,102
Changes in Financing Cash Flows				
Proceeds from drawdown	402,886	962,312	-	1,365,198
Repayment of principal	(551,348)	(995,625)	(16,572)	(1,563,545)
	(148,462)	(33,313)	(16,572)	(198,347)
Non-cash Changes				
Acquisition of new lease	-	-	12,388	12,388
Government loan waived	-	-	-	-
Modification of lease liability	-	-	(704)	(704)
Exchange differences	(406)	-	(219)	(625)
	(406)	-	11,465	11,059
At 31 December	364,130	418,440	36,244	818,814
2021				
At 1 January	489,522	654,742	45,960	1,190,224
Changes in Financing Cash Flows				
Proceeds from drawdown	244,141	1,267,662	3,744	1,515,547
Repayment of principal	(219,076)	(1,470,651)	(17,452)	(1,707,179)
	25,065	(202,989)	(13,708)	(191,632)
Non-cash Changes				
Acquisition of new lease	-	-	11,626	11,626
Government loan waived	(915)	-	-	(915)
Modification of lease liability	-	-	(609)	(609)
Exchange differences	(674)	-	(1,918)	(2,592)
	(1,589)	-	9,099	7,510
At 31 December	512,998	451,753	41,351	1,006,102

12. Cash flow information (continued)

12.3 The reconciliation of liabilities arising from financing activities are as follows: (continued)

Company	Term Loans & Revolving Credit RM'000	Bills Payable RM'000	Total RM'000
2022			
At 1 January	424,625	432,791	857,416
Changes in Financing Cash Flows			
Proceeds from drawdown	314,660	847,182	1,161,842
Repayment of principal	(444,785)	(914,184)	(1,358,969)
	(130,125)	(67,002)	(197,127)
At 31 December	294,500	365,789	660,289
2021			
At 1 January	415,875	628,927	1,044,802
Changes in Financing Cash Flows			
Proceeds from drawdown	185,000	1,188,279	1,373,279
Repayment of principal	(176,250)	(1,384,415)	(1,560,665)
	8,750	(196,136)	(187,386)
At 31 December	424,625	432,791	857,416

13. Assets classified as held for sale

During the financial year, the leasehold land and building of the Company with carrying value of RM3,294,000 (2021 : NIL) had been classified as held for sale from property, plant and equipment and investment properties which the Company has entered into sale and purchase agreements before year end and the sale will be completed subsequent to financial year.

14. Share capital

	Group and Company			
	Number of shares		Amount	
	2022 '000	2021 '000	2022 RM'000	2021 RM'000
Issued and fully paid ordinary shares:				
At 1 January	485,228	485,228	306,602	306,602
Issuance of share pursuant to right issue	241,723	-	119,872	-
At 31 December	726,951	485,228	426,474	306,602

(i) The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

(ii) On 10 January 2022, the Company announced the proposal to undertake the renounceable rights issue of up to 256,914,625 new ordinary shares of the Company at an issue price of RM0.50 per rights share in the Company on the basis 1 rights shares for every 2 existing shares held by the shareholders of the Company. The proposed rights issue was approved by the shareholders of the Company through the Extraordinary Shareholders' Meeting held on 7 March 2022.

On 26 April 2022, the Company completed the issuance, listing and quotation of 241,722,568 rights shares on the Main Market of Bursa Malaysia Securities Berhad. The proceed from the right issues would be used by the Group for partial repayment of interest bearing borrowings and for working capital purposes.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

15. Reserves

Treasury shares

This amount represents the acquisition cost for the repurchase of the Company's ordinary shares, net of the proceeds received from their subsequent sale or issuance of the shares repurchased.

The number of treasury shares held is 1,783,000 (2021 - 1,783,000). None of the treasury shares held was sold or cancelled during the financial year ended 31 December 2022.

Revaluation reserve

Revaluation reserve of the Group relates to the revaluation of freehold land and leasehold land of the Company and certain subsidiaries, and the revaluation of an investment in a subsidiary by the Company in 1982.

Capital reserve

The capital reserve of the Group represents reserve arising from the redemption of preference shares issued by a subsidiary, and the capitalisation of distributable reserve for issuance of bonus shares by subsidiaries in previous years.

15. Reserves (continued)

Share options reserve

The share options reserve of the Group and of the Company comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share options reserve is transferred to share capital. When the share options expire, the amount from the share options reserve is transferred to retained earnings.

Translation reserve

The translation reserve of the Group and of the Company comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Retained earnings

Under the single tier tax system, tax on the Company's profits is the final tax and accordingly, any dividends to the shareholders are not subject to tax.

16. Loans and borrowings

The note provides information about the contractual terms of the Group's and the Company's interest-bearing loans and borrowings. For more information about the Group's and Company's exposure to interest rate risk, see Note 30.

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current				
Secured				
Term loans	9,609	14,165	-	-
Unsecured				
Term loans	93,750	103,500	93,750	103,500
	103,359	117,665	93,750	103,500
Current				
Secured				
Term loans	14,621	7,144	-	-
Bank overdrafts	22,717	8,895	-	-
Unsecured				
Term loans	9,750	13,289	9,750	9,125
Bank overdrafts	992	326	992	326
Revolving credits	236,400	374,900	191,000	312,000
Insurance premium finance	3,384	2,987	-	-
	287,864	407,541	201,742	321,451
Non-current and current	391,223	525,206	295,492	424,951

16. Loans and borrowings (continued)

Terms and debt repayment schedule

Group	Year of maturity	Total Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	3 - 5 years RM'000	Over 5 years RM'000
2022						
Term loans						
- secured	2023 - 2037	24,230	14,621	5,079	-	4,530
- unsecured	2027	103,500	9,750	23,750	46,250	23,750
Bank overdrafts						
- secured	-	22,717	22,717	-	-	-
- unsecured	-	992	992	-	-	-
Revolving credits						
- unsecured	-	236,400	236,400	-	-	-
Insurance premium finance						
- unsecured	-	3,384	3,384	-	-	-
		391,223	287,864	28,829	46,250	28,280
2021						
Term loans						
- secured	2022 - 2037	21,309	7,144	8,956	5,209	-
- unsecured	2027	116,789	13,289	9,750	55,000	38,750
Bank overdrafts						
- secured	-	8,895	8,895	-	-	-
- unsecured	-	326	326	-	-	-
Revolving credits						
- unsecured	-	374,900	374,900	-	-	-
Insurance premium finance						
- unsecured	-	2,987	2,987	-	-	-
		525,206	407,541	18,706	60,209	38,750

Company	Year of maturity	Total Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	3 - 5 years RM'000	Over 5 years RM'000
2022						
Unsecured						
Term loans	2027	103,500	9,750	23,750	46,250	23,750
Bank overdraft	-	992	992	-	-	-
Revolving credits	-	191,000	191,000	-	-	-
		295,492	201,742	23,750	46,250	23,750

16. Loans and borrowings (continued)

Terms and debt repayment schedule (continued)

Company	Year of maturity	Total Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	3 - 5 years RM'000	Over 5 years RM'000
2021						
Unsecured						
Term loans	2027	112,625	9,125	9,750	55,000	38,750
Bank overdrafts	-	326	326	-	-	-
Revolving credits	-	312,000	312,000	-	-	-
		424,951	321,451	9,750	55,000	38,750

Term loans

The secured term loans of the subsidiaries are charged against long-term leasehold land, freehold land and buildings of subsidiaries (Note 3).

17. Payables and accruals

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Non-current					
Non-trade					
Advance from minority shareholders	(i)	3,169	3,007	-	-
		3,169	3,007	-	-
Current					
Trade					
Trade payables	(ii)	268,729	271,427	65,668	191,708
Amount due to subsidiaries	(iii)	-	-	112,654	110,326
Amount due to associates	(iv)	201	-	-	-
		268,930	271,427	178,322	302,034
Non-trade					
Amount due to subsidiaries	(iii)	-	-	14,326	16,452
Amount due to associates	(iv)	1,685	1,191	-	1,259
Provision for warranty costs	(v)	33,691	43,445	43	43
Other payables		71,462	44,753	35	390
Accrued expenses		45,440	33,547	3,163	1,890
		152,278	122,936	17,567	20,034
Total current		421,208	394,363	195,889	322,068
Non-current and current		424,377	397,370	195,889	322,068

(i) The advances from minority shareholders of a subsidiary are interest free, unsecured and are not expected to be repayable within the next twelve months.

17. Payables and accruals (continued)

(ii) Included in trade payables of the Group are advances received from contract customers amounting to RM36,450,000 (2021 - RM34,590,000).

Included in trade payables are major payables denominated in currencies other than the functional currency, as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Australian Dollar	546	230	-	-
Euro	5,301	4,374	-	157
Qatari Riyal	-	-	6,884	9,749
Singapore Dollar	1,230	770	-	-
US Dollar	26,344	19,256	177	670
Sterling Pound	641	298	-	-
Japanese Yen	244	244	-	-
Hong Kong Dollar	-	-	-	-
Chinese Renminbi	1,243	216	-	-
Korean Won	-	115	-	-

(iii) The trade payables due to subsidiaries are subject to the normal credit terms ranging from 30 to 60 days (2021 - 30 to 60 days).

The non-trade payables due to subsidiaries are non-trade in nature, unsecured, interest free and repayable on demand.

(iv) The amounts due to associates of the Group and of the Company are unsecured, interest free and repayable on demand.

(v) Provision for warranty costs relates to provision for defect rectification costs for manufactured cranes sold.

18. Hire purchase and lease liabilities

	Group	
	2022 RM'000	2021 RM'000
Non-current		
Hire purchase with financial institutions	8,862	23,799
Lease liabilities	3,913	-
	12,775	23,799
Current		
Hire purchase with financial institutions	17,513	11,726
Lease liabilities	2,572	2,839
	20,085	14,565
	32,860	38,364

Notes to the Financial Statements (continued)

18. Hire purchase and lease liabilities (continued)

The maturity profile of the Group's hire purchase and lease liabilities at the end of the financial year is summarised as follows:

	Group	
	2022 RM'000	2021 RM'000
Under 1 year	20,085	14,565
1 – 2 years	5,682	20,866
3 – 5 years	7,093	2,933
Total carrying value	32,860	38,364

19. Bills payable

All bills payable of the Group and of the Company are unsecured and payable within a year and not subject to repricing before maturity.

20. Derivative assets/(liabilities)

	Contract/ Notional amount RM'000	Derivative assets RM'000	Derivative liabilities RM'000
2022			
Group			
Forward foreign currency contracts	137,333	1,101	-
Company			
Forward foreign currency contracts	27,123	675	-
2021			
Group			
Forward foreign currency contracts	41,523	37	(265)
Company			
Forward foreign currency contracts	11,243	6	-

Forward exchange contracts are used to manage the foreign currency exposure arising from the Group's receivables and payables denominated in currencies other than the functional currency of the Group.

21. Revenue

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Works done under contracts for constructions, cranes and vessels	557,168	662,853	147,270	277,862
Sale of goods and components	72,705	101,953	-	-
Services rendered	266,544	238,864	13,184	10,654
Dividend income	392	-	228,182	44,514
	896,809	1,003,670	388,636	333,030

21. Revenue (continued)

Supplementary information on revenue of the Group inclusive of the Group's share of revenue of associates are as follows:

	Group	
	2022 RM'000	2021 RM'000
Group		
Revenue of the Group	896,809	1,003,670
Share of revenue of associates	227,392	186,188
	1,124,201	1,189,858

22. Operating profit/(loss)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Operating profit/(loss) is arrived at after charging/(crediting):				
Allowance for of slow moving inventories	3,706	11,985	-	-
Allowance for diminution in value	150	-	-	-
Amortisation of development costs and intellectual property	21	12	-	-
Auditors' remuneration:				
- Holding company's auditors				
- statutory audit				
- current year	667	659	222	200
- under provision in prior years	26	7	26	9
	693	666	248	209
- other services	40	20	20	10
- Other auditors	740	787	-	-
	1,473	1,473	268	219
Bad debts written off	2,914	-	2,914	-
COVID-19 related subsidies from government	1,192	(3,336)	-	(194)
Depreciation expenses:				
- investment properties	8	12	276	277
- property, plant and equipment	65,460	68,884	6,454	9,662
- right-of-use assets	7,536	6,603	-	-
Finance costs:				
- borrowings	16,368	16,740	27,060	13,865
- interest expenses arising on financial assets/liabilities measured under MFRS 9	3,392	3,196	31,478	14,743
	19,760	19,936	58,538	28,608
- contract costs	11,296	13,780	44,602	8,947
	31,056	33,716	103,140	37,555

22. Operating profit/(loss) (continued)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Operating profit/(loss) is arrived at after charging/(crediting): (continued)				
Loss on disposal of a subsidiary	193	-	-	-
Net (reversal)/impairment loss on:				
- contract assets	(92)	(20,503)	(349)	(64)
- receivables	234	(12,730)	103,413	31,807
	142	(33,233)	103,064	31,743
- investment in subsidiaries	-	-	8,370	4,582
- investment in associates	7,741	1,407	7,136	300
- property, plant and equipment	12,823	(9,807)	-	-
- development costs	-	(8,499)	-	-
Net (reversal)/provision for warranties	(8,787)	9,099	-	-
Net (reversal)/provision for foreseeable losses	(5,538)	9,752	(463)	(3,524)
Personnel expenses (including key management personnel)				
- contribution to Employees Provident Fund	15,717	13,340	1,568	1,536
- wages, salaries and others	145,761	141,701	13,118	14,311
Property, plant and equipment written off	912	548	-	24
Rental expenses	37,818	45,507	(3,878)	21,012
Share-based payments	1,309	1,475	459	888
Written off/(back) of inventories	5,417	1,322	(10)	(40)
Development costs written off	-	8,895	-	-
Gain on disposal of property, plant and equipment	(882)	(1,659)	(62)	(802)
Gain on disposal of Investment properties	(908)	-	(950)	-
Government loan waived	-	(915)	-	-
Reversal of liquidated and ascertained damages	-	(391)	-	-
Interest income	(16,676)	(4,464)	(1,576)	(16,138)
Interest income arising on financial assets/liabilities measured under MFRS 9	(2,746)	(3,714)	(28,787)	(25,169)
	(19,422)	(8,178)	(30,363)	(41,307)
Net fair value (gain)/loss on derivative instruments	(1,318)	6,719	(669)	6,694
Net fair value gain on the investment	(2,748)	-	-	-
Net unrealised loss/(gain) on foreign exchange	4,628	(5,197)	2,854	(7,179)
Rental income on:				
- premises	(731)	(327)	(62)	(88)
- plant and equipment	(12)	(17)	-	-

23. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Directors of the Company				
- Fees	898	1,140	428	480
- Remuneration	3,024	2,609	2,198	2,048
	3,922	3,749	2,626	2,528
Defined contribution benefits	446	424	300	287
Share option expenses	915	-	-	-
	5,283	4,173	2,926	2,815

The Directors of the Company are the key management personnel for the Group with ultimate authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

24. Income tax expense

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current tax expense				
Malaysia - current	12,380	5,421	-	-
- under provision in prior year	1,699	146	-	-
	14,079	5,567	-	-
Foreign - current	9,297	8,954	-	-
- over provision in prior year	(1,131)	(1,702)	-	-
	8,166	7,252	-	
Withholding tax	950	-	950	-
Real property gains tax	250	-	250	-
Deferred tax expense (Note 8)				
Origination and reversal of temporary differences	(2,233)	(6,324)	-	-
(Over)/under provision in prior years	(2,622)	6,906	-	-
	(4,855)	582	-	-
Income tax expense	18,590	13,401	1,200	-

24. Income tax expense (continued)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Reconciliation of tax expense				
Operating profit/(loss)	25,510	43,953	18,547	12,392
Income tax using Malaysian tax rate at 24% (2021 - 24%)	6,122	10,549	4,451	2,974
Effect of different tax rates in foreign jurisdictions	(5,767)	(2,883)	-	-
Effect of deferred tax benefits not recognised	34,556	17,225	55,909	14,434
Utilisation of deferred tax assets not recognised in previous year	(5,661)	(6,980)	-	-
Non-deductible expenses	6,042	19,787	2,227	9,848
Non-taxable income	(14,586)	(28,267)	(60,018)	(26,450)
Tax incentives	(13)	-	-	-
Non-taxable foreign projects income	(2,569)	(806)	(2,569)	(806)
Withholding tax for foreign projects	950	323	950	-
Real property gains tax	250	-	250	-
Others	1,320	(897)	-	-
	20,644	8,051	1,200	-
Under provision in prior years				
- current tax expense	568	(1,556)	-	-
- deferred tax expense	(2,622)	6,906	-	-
Total income tax expense	18,590	13,401	1,200	-

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

25. Earnings per ordinary share (sen)

Basic earnings per share

The calculation of basic earnings per share for the financial year ended 31 December 2022 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2022 RM'000	2021 RM'000
Loss for the financial year attributable to owners of the Company	(17,880)	(3,416)

25. Earnings per ordinary share (sen) (continued)

	Group	
	2022 '000	2021 '000
Number of ordinary shares issued at 1 January	483,445	483,445
Issuance of share pursuant to right issue	165,354	-
Total weighted average number of ordinary shares in issue	648,799	483,445

	Group	
	2022	2021
Basic loss per share (sen)	(2.75)	(0.71)

Diluted earnings per share

The Group has dilutive potential ordinary shares from the options granted to eligible employees of the Group.

The calculation of diluted earnings per share for the year ended 31 December 2022 was based on profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding on the assumption that all the dilutive potential ordinary shares are fully converted, as follows:

	Group	
	2022 RM'000	2021 RM'000
Loss attributable to owners of the Company	(17,880)	(3,416)

	Group	
	2022 '000	2021 '000
Weighted average number of ordinary shares	483,445	483,445
Issuance of share pursuant to right issue	165,354	-
Adjusted weighted average number of ordinary shares at 31 December	648,799	483,445

25. Earnings per ordinary share (sen) (continued)

The potential conversion of employees share options is anti-dilutive as the exercise price is higher than the average market price of the Company's ordinary shares. Accordingly, the exercise of employee share options has been ignored in the calculation of dilutive earnings per share.

	Group	
	2022	**2021**
Diluted loss per share (sen)	(2.75)	(0.71)

26. Employee benefits

Share-based payments

In 2022, an Employees' Share Issuance Scheme ("SIS") was established and approved by the shareholders of the Company at an Extraordinary General Meeting ("EGM") held on 22 June 2022 to eligible employees including Directors of the Company and its subsidiaries. The existing employees' share issuance scheme ("Existing SIS") was previously established and approved by the shareholders of the Company at an Extraordinary General Meeting ("EGM") held on 22 June 2017 to the Company and its subsidiaries and expired on 9 July 2022.

The main features of the SIS, and details of the share options offered and exercised during the financial year are as follows:

(i) The maximum number of approved unissued new ordinary shares available for allotment under the SIS shall not exceed in aggregate of ten per cent (10%) of the issued and paid-up share capital of the Company at any point in time during the duration of the SIS scheme;

(ii) Save for Directors, the eligible employees are those confirmed full time employees of the Group and who have served for a continuous period of at least one (1) year;

(iii) A grantee shall be allowed to exercise the options granted subject to the following percentage limits based on entitlement granted:

	Year option is granted 2022
Cumulative % of options exercisable during the option period in	
Year 1	-
Year 2	15%
Year 3	30%
Year 4	45%
Year 5	100%

(iv) The exercise price shall be based on the weighted average market price of the shares of the Company for the five (5) market days immediately preceding the offer date subject to a discount of not more than ten per cent (10%) or at the par value of the shares of the Company, whichever is higher.

26. Employee benefits (continued)

Share-based payments (continued)

The following options were granted under the Option scheme:

Group and Company

<u>**SIS**</u>

Grant date	Exercise price	At 1.1.2022 '000	Granted '000	Exercised '000	Expired/ Forfeited '000	At 31.12.2022 '000	Expiry date
3.10.2022	RM0.38	28,600	38,888	-	(29,108)	38,380	26.7.2027

Grant date	Exercise price	At 1.1.2021 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2021 '000	Expiry date
26.7.2017	RM2.25	29,354	-	-	(754)	28,600	9.7.2022

Subsidiary

<u>**SIS**</u>

Grant date	Exercise price	At 1.1.2022 '000	Granted '000	Exercised '000	Expired/ Forfeited '000	At 31.12.2022 '000	Expiry date
21.9.2022	RM1.45	12,488	20,168	-	(12,911)	19,745	26.7.2027

Grant date	Exercise price	At 1.1.2021 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2021 '000	Expiry date
15.9.2017	RM2.35	13,413	-	-	(925)	12,488	9.7.2022

26. Employee benefits (continued)

Details relating to options exercised during the year

	Company		Subsidiary	
	2022 RM	**2021 RM**	**2022 RM**	**2021 RM**
Average share price for the year	0.50	0.92	1.99	2.25

The value of employee services received for issue of share options is as follows:

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Expense recognised as share-based payments	1,309	1,475	459	888

Fair value of share options and assumptions

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black Scholes model, with the following inputs:

Existing SIS

	Company	Subsidiary
Fair value at grant date (RM) - Granted in Year 2017	0.55 - 0.84	0.48 - 0.74
Weighted average share price (RM) - Granted in Year 2017	2.50	2.62
Exercise price (RM) - Granted in Year 2017	2.25	2.35
Expected volatility (%) (weighted average volatility)	24.24	15.58
Option life	5 years	5 years
Risk-free interest rate (based on Malaysian Government bonds) (%) - Granted in Year 2017	3.29 - 3.68	3.18 - 3.498
Expected staff turnover (%)	15	10

26. Employee benefits (continued)

Fair value of share options and assumptions (continued)

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black Scholes model, with the following inputs: (continued)

New SIS

	Company	Subsidiary
Fair value at grant date (RM)		
- Granted in Year 2022	0.10 - 0.15	0.36 - 0.56
Weighted average share price (RM)		
- Granted in Year 2022	0.42	1.71
Exercise price (RM)		
- Granted in Year 2022	0.38	1.45
Expected volatility (%) (weighted average volatility)	33.61	24.798
Option life	5 years	5 years
Risk-free interest rate (based on Malaysian Government bonds) (%)		
- Granted in Year 2022	3.64 - 4.08	3.395 - 3.944
Expected staff turnover (%)	10	10

The expected volatility reflects the assumption that the historical volatility is indicative of future trends and not necessarily be the actual outcome. The expected option life is based on historical data, which may also not necessarily be indicative of exercise patterns that may occur. The existing SIS will had expired on 9 July 2022.

27. Dividend

Proposed final dividend for the year ended 31 December 2022

The Directors do not recommended any final dividend in respect of the financial year ended 31 December 2022.

28. Operating segments

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group comprises the following main business segments:

Infrastructure construction	Construction of petroleum hub and bunkering facilities, oil and gas terminals, liquefied natural gas jetty works, marine ports, bridges and dams, airport terminals runway and facility support buildings, heavy concrete foundations and other similar construction works
Cranes	Design, manufacture, supply, trading, leasing and service provider of offshore oil and gas pedestal cranes, tower cranes, shipyard cranes and other heavy lifting equipment cranes; and design, engineering and maintenance services for integrated automation solutions, process analysers and specialised equipment for various industries
Marine shipbuilding and ship repair	Design, engineering, building and service provider of anchor handling tug boats, supply vessels, accommodation ships and marine vessels for the offshore oil and gas exploration and production works
Concession	Privatisation of international airports in Cambodia and road maintenance works in the central region of Peninsular Malaysia

Segment assets and segment liabilities

The Group Executive Committee reviews the segments' operating performance on segment net assets basis. Hence the segment assets and segment liabilities are presented on the same basis.

28. Operating segments (continued)

Business segments

	Infrastructure construction		Cranes		Marine shipbuilding and ship repair		Concession		Eliminations		Consolidated	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Segment profit/ (loss) before tax	91,343	(16,864)	59,602	63,910	(1,250)	(22,254)	186	(24,801)	(125,571)	15,909	24,310	15,900
Included in the measure of segment profit are:												
Revenue from external customers	262,484	371,372	592,226	607,854	42,099	24,444	-	-	-	-	896,809	1,003,670
Group's share of revenue of associates	18,100	23,125	6,603	12,268	4,481	1,368	198,208	149,427	-	-	227,392	186,188
Group's revenue	280,584	394,497	598,829	620,122	46,580	25,812	198,208	149,427	-	-	1,124,201	1,189,858
Inter-segment revenue	370,822	267,951	2,547	2,361	-	2,503	-	-	(373,369)	(272,815)	-	-
Interest income	51,709	43,079	4,467	5,843	4,992	3,409	-	-	(41,746)	(44,153)	19,422	8,178
Finance costs	(74,348)	(71,794)	(6,753)	(4,929)	(270)	(8,735)	-	-	50,315	51,742	(31,056)	(33,716)
Share of results of associates	1,853	2,451	(163)	(1,789)	(3,084)	(3,929)	194	(24,786)	-	-	(1,200)	(28,053)
Segment net assets	253,985	227,946	732,856	785,454	255,834	208,252	676,457	645,463	(159,390)	(204,110)	1,759,742	1,663,005

28. Operating segments (continued)

Geographical segments

The infrastructure construction segment is operating mainly in Malaysia, Qatar and Cambodia. The cranes segment is managed on a worldwide basis with its head office in Malaysia. The cranes segment has manufacturing plants in Malaysia, Australia, United States of America and Denmark. The marine shipbuilding and ship repair segment operates in Malaysia. The airport concession segment is managed in Cambodia and the road maintenance concession works are carried out in the central region of Peninsular Malaysia.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of the respective principal operations.

	Inside Malaysia		Outside Malaysia		Eliminations		Consolidated	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Geographical information								
Revenue	924,410	915,397	345,768	361,088	(373,369)	(272,815)	896,809	1,003,670
Group share of associates revenue	105,774	122,296	121,618	63,892	-	-	227,392	186,188
Total revenue	1,030,184	1,037,693	467,386	424,980	(373,369)	(272,815)	1,124,201	1,189,858
Total assets	3,223,803	3,620,030	1,699,934	1,613,647	(1,592,691)	(1,859,452)	3,331,046	3,374,225

29. Capital commitments

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Capital expenditure in respect of purchase of property, plant and equipment: - contracted for	10,500	12,900	-	-

30. Financial instruments

30.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2022 categorised as follows:

(a) Amortised cost; and
(b) Mandatorily at fair value through profit or loss – derivatives used for hedging.

	Carrying amount RM'000	Amortised cost RM'000	Derivatives used for hedging RM'000
Group			
2022			
Financial assets			
Receivables and deposits	404,506	404,506	-
Cash and bank balances	308,419	308,419	-
Derivative assets	1,101	-	1,101
	714,026	712,925	1,101
Financial liabilities			
Loan and borrowings	(391,223)	(391,223)	-
Payables and accruals	(424,377)	(424,377)	-
Bills payable	(418,440)	(418,440)	-
Hire purchase and lease liabilities	(32,860)	(32,860)	-
Derivative liabilities	-	-	-
	(1,266,900)	(1,266,900)	-
Company			
2022			
Financial assets			
Receivables and deposits	863,978	863,978	-
Cash and bank balances	107,841	107,841	-
Derivative assets	675	-	675
	972,494	971,819	675
Financial liabilities			
Loan and borrowings	(295,492)	(295,492)	-
Payables and accruals	(195,889)	(195,889)	-
Bills payable	(365,789)	(365,789)	-
	(857,170)	(857,170)	-

30. Financial instruments (continued)

30.1 Categories of financial instruments (continued)

The table below provides an analysis of financial instruments as at 31 December 2021 categorised as follows:

	Carrying amount RM'000	Amortised cost RM'000	Derivatives used for hedging RM'000
Group			
2021			
Financial assets			
Receivables and deposits	420,355	420,355	-
Cash and bank balances	450,815	450,815	-
Derivative assets	37	-	37
	871,207	871,170	37
Financial liabilities			
Loan and borrowings	(525,206)	(525,206)	-
Payables and accruals	(397,370)	(397,370)	-
Bills payable	(451,753)	(451,753)	-
Hire purchase and lease liabilities	(38,364)	(38,364)	-
Derivative liabilities	(265)	-	(265)
	(1,412,958)	(1,412,693)	(265)
Company			
2021			
Financial assets			
Receivables and deposits	1,053,541	1,053,541	-
Cash and bank balances	79,128	79,128	-
Derivative assets	6	-	6
	1,132,675	1,132,669	6
Financial liabilities			
Loan and borrowings	(424,951)	(424,951)	-
Payables and accruals	(322,068)	(322,068)	-
Bills payable	(432,791)	(432,791)	-
	(1,179,810)	(1,179,810)	-

30.2 Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its credit, liquidity, interest rate and foreign currency risks. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

30. Financial instruments (continued)

30.3 Credit risk

The Group's credit risk is primarily attributable to trade receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given to banks for borrowings granted to subsidiaries.

(i) Exposure of credit risk

At the end of the reporting period, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

The exposure of credit risk for trade receivables (net of impairment) by geographical region is as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Asia	129,445	160,792	21,614	36,006
Europe	55,194	28,183	-	-
America	597	8,659	-	-
Middle East	54,910	74,576	-	-
Australia	11,040	7,428	-	-
Africa	-	64	-	-
	251,186	279,702	21,614	36,006

(ii) Assessment of impairment losses

At each reporting date, the Group assesses whether any of financial assets at amortised cost and contract assets at fair value through other comprehensive income are credit impaired.

The gross carrying amounts of those financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite they are still subject to enforcement activities.

Trade Receivables and Contract Assets

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group considers any receivables having significant balances and more than 90 days overdue are deemed credit impaired.

30. Financial instruments (continued)

30.3 Credit risk (continued)

(ii) Assessment of impairment losses (continued)

The expected loss rates are based on the payment profiles of sales over a period of 12 months from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

For construction contracts, the Group assessed the expected credit loss of each customer individually based on their financial information and past trends of payments as there are only a few customers. All of these customers have low risk of default as they have a strong capacity to meet their debts.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables and contract assets are summarised below:

	Gross amount RM'000	Lifetime loss allowance RM'000	Carrying amount RM'000
Group			
2022			
Trade Receivables			
Not past due	119,732	(1,759)	117,973
Past due 1 - 90 days	71,255	(2,093)	69,162
Past due 91 - 180 days	20,060	(2,729)	17,331
Past due more than 180 days	103,522	(56,802)	46,720
	314,569	(63,383)	251,186
Contract assets	310,520	(26,346)	284,174
Company			
2022			
Trade Receivables			
Not past due	21,550	(904)	20,646
Past due 1 - 90 days	1,294	(326)	968
Past due 91 - 180 days	-	-	-
Past due more than 180 days	14,187	(14,187)	-
Credit Impaired	1,174	(1,174)	-
	38,205	(16,591)	21,614
Contract assets	119,224	(7,892)	111,332

30. Financial instruments (continued)

30.3 Credit risk (continued)

(ii) Assessment of impairment losses (continued)

	Gross amount RM'000	Lifetime loss allowance RM'000	Carrying amount RM'000
2021			
Group			
Trade Receivables			
Not past due	137,931	(210)	137,721
Past due 1 - 90 days	64,474	(1,270)	63,204
Past due 91 - 180 days	36,340	(1,232)	35,108
Past due more than 180 days	95,515	(51,846)	43,669
	334,260	(54,558)	279,702
Contract assets	344,459	(26,434)	318,025
Company			
Trade Receivables			
Not past due	23,695	(54)	23,641
Past due 1 - 90 days	5,612	(74)	5,538
Past due 91 - 180 days	316	(65)	251
Past due more than 180 days	13,616	(7,040)	6,576
Credit Impaired	1,174	(1,174)	-
	44,413	(8,407)	36,006
Contract assets	154,124	(8,241)	145,883

Fixed Deposits with Licensed Banks, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

30. Financial instruments (continued)

30.3 Credit risk (continued)

(ii) Assessment of impairment losses (continued)

Other Receivables

The Group applies the general approach to measuring expected credit losses for the other receivables. Generally, the Group considers the advances to other receivables have low credit risks.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for the other receivables are summarised below:

	Gross amount RM'000	Lifetime loss allowance RM'000	Carrying amount RM'000
Group			
2022			
Low credit risk	49,232	(290)	48,942
Credit impaired	1,452	(1,452)	-
	50,684	(1,742)	48,942
2021			
Low credit risk	54,690	(787)	53,903
Credit impaired	3,159	(3,159)	-
	57,849	(3,946)	53,903
Company			
2022			
Low credit risk	1,178	(99)	1,079
Credit impaired	-	-	-
	1,178	(99)	1,079
2021			
Low credit risk	4,404	(505)	3,899
Credit impaired	2,867	(2,867)	-
	7,271	(3,372)	3,899

30. Financial instruments (continued)

30.3 Credit risk (continued)

(ii) Assessment of impairment losses (continued)

Amount due from Subsidiaries

The Company considers the amount due from subsidiaries to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's outstanding balances to be credit impaired when the subsidiary is unlikely to repay its loan or advances to the Company in full.

The Company determines the probability of default for these loans and advances individually using internal information available.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for amount due from subsidiaries are summarised below:

	Gross amount RM'000	Lifetime loss allowance RM'000	Carrying amount RM'000
Company			
2022			
Low credit risk	818,223	(156,520)	661,703
Credit impaired	383,887	(213,339)	170,548
	1,202,110	(369,859)	832,251
2021			
Low credit risk	839,038	(136,795)	702,243
Credit impaired	440,594	(134,212)	306,382
	1,279,632	(271,007)	1,008,625

30. Financial instruments (continued)

30.3 Credit risk (continued)

(ii) *Assessment of impairment losses (continued)*

The movements in the allowance for impairment losses during the year were:

	Trade receivables RM'000	Other receivables RM'000	Amount due from associates RM'000	Amount due from subsidiaries RM'000	Contract assets RM'000	Total RM'000
Group						
2022						
At 1 January	54,558	3,946	54,509	-	26,434	139,447
Addition during the financial year	15,030	1,170	8,954	-	378	25,532
Reversal during the financial year	(6,402)	(3,374)	(15,144)	-	(470)	(25,390)
Written off	-	-	(48)	-	-	(48)
Exchange difference	197	-	(505)	-	4	(304)
At 31 December	63,383	1,742	47,766	-	26,346	139,237
Company						
2022						
At 1 January	8,407	3,372	563	271,007	8,241	291,590
Addition during the financial year	8,184	-	160	117,126	-	125,470
Reversal during the financial year	-	(3,274)	(510)	(18,273)	(349)	(22,406)
At 31 December	16,591	98	213	369,860	7,892	394,654

30. Financial instruments (continued)

30.3 Credit risk (continued)

(ii) Assessment of impairment losses (continued)

The movements in the allowance for impairment losses in the previous year were: (continued)

	Trade receivables RM'000	Other receivables RM'000	Amount due from associates RM'000	Amount due from subsidiaries RM'000	Contract assets RM'000	Total RM'000
Group						
2021						
At 1 January	53,233	6,563	64,605	-	47,017	171,418
Addition during the financial year	10,508	47	16,435	-	415	27,405
Reversal during the financial year	(9,605)	(2,675)	(27,440)	-	(20,918)	(60,638)
Exchange difference	422	11	909	-	(80)	1,262
At 31 December	54,558	3,946	54,509	-	26,434	139,447
Company						
2021						
At 1 January	6,199	3,566	5,539	236,238	8,305	259,847
Addition during the financial year	2,208	-	3	40,633	-	42,844
Reversal during the financial year	-	(194)	(4,979)	(5,864)	(64)	(11,101)
At 31 December	8,407	3,372	563	271,007	8,241	291,590

30. Financial instruments (continued)

30.3 Credit risk (continued)

(ii) Assessment of impairment losses (continued)

The movements in the allowance for impairment losses in the previous year were: (continued)

The Company provides unsecured corporate guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

The maximum exposure to credit risk amounted to RM200.9 million (2021 - RM212.7 million) representing the outstanding banking facilities of the subsidiaries as at the end of the financial year.

As at the end of the financial year, there was no indication that any subsidiary would default on repayment.

The corporate guarantees have not been recognised since the fair value on initial recognition was not material.

30.4 Liquidity risk

The Group's exposure to liquidity risk primarily arises from its capabilities to meet its financial obligations, principally its trade payables, loan and borrowings, as and when they fall due.

The Group and the Company monitor and maintain a level of cash and bank balances deemed adequate by management to finance the operations and to mitigate the effects of fluctuations in cash flows.

The table below summaries the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows:

	Effective interest rate %	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
Group				
2022				
Secured borrowings				
- Term loans	4.5 - 4.8	14,621	9,609	-
- Bank overdrafts	4.8	22,717	-	-
- Hire purchase	1.6	17,513	8,862	-
Unsecured borrowings				
- Term loans	3.4 - 4.4	9,750	70,000	23,750
- Bank overdrafts	6.6	992	-	-
- Revolving credits	2.4 - 3.4	236,400	-	-
- Insurance premium finance	2.59	3,384	-	-
Unsecured bills payable	2.2 - 3.2	418,440	-	-
Unsecured payables and accruals	-	421,208	3,169	-
Lease liabilities		6,485	-	-
		1,151,510	91,640	23,750

30. Financial instruments (continued)

30.4 Liquidity risk (continued)

The table below summaries the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows: (continued)

	Effective interest rate %	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
2021				
Secured borrowings				
- Term loans	2.3 - 2.5	7,144	14,165	-
- Bank overdrafts	2.5	8,895	-	-
- Hire purchase	1.6 - 2.5	11,726	23,799	-
Unsecured borrowings				
- Term loans	2.2 - 3.5	13,289	64,750	38,750
- Bank overdrafts	6.4	326	-	-
- Revolving credits	2.8 - 3.9	374,900	-	-
- Insurance premium finance	1.0	2,987	-	-
Unsecured bills payable	2.4 - 3.3	451,753	-	-
Unsecured payables and accruals	-	394,363	3,007	-
Lease liabilities		2,839	-	-
		1,268,222	105,721	38,750

	Effective interest rate %	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
Company				
2022				
Unsecured borrowings				
- Term loans	3.4 - 4.4	9,750	70,000	23,750
- Bank overdrafts	6.6	992	-	-
- Revolving credits	2.4 - 3.4	191,000	-	-
Unsecured bills payable	2.2 - 3.2	365,789	-	-
Unsecured payables and accruals	-	195,889	-	-
		763,420	70,000	23,750
2021				
Unsecured borrowings				
- Term loans	2.8 - 3.5	9,125	64,750	38,750
- Bank overdrafts	6.4	326	-	-
- Revolving credits	2.6 - 3.4	312,000	-	-
Unsecured bills payable	2.3 - 2.7	432,791	-	-
Unsecured payables and accruals	-	322,068	-	-
		1,076,310	64,750	38,750

30. Financial instruments (continued)

30.5 Interest rate risk

The Group's interest rate risk arises from its interest-bearing financial instruments that could impact fair value and future cash-flows due to fluctuation in market interest rates. The Group and the Company borrow to fund the acquisition of property, plant and equipment and for working capital purposes from banks and financial institutions, and have fixed deposits placed with licensed banks. Interest rate exposure is managed through the use of fixed and floating rate debts.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their average effective interest rates at the end of the reporting period and the periods in which they mature, or if earlier, reprice.

30. Financial instruments (continued)

30.5 Interest rate risk (continued)

Effective interest rates and repricing analysis (continued)

	2022				2021			
	Effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 5 years RM'000	Effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 5 years RM'000
Financial assets								
Group								
Deposits placed with licensed banks	1.0 - 3.8	24,489	24,489	-	1.0 - 4.3	91,886	91,886	-
Short-term funds	1.2 - 4.9	103,475	103,475	-	1.2 - 4.9	146,544	146,544	-
		127,964	127,964	-		238,430	238,430	-
Company								
Deposits placed with licensed banks		-	-	-	1.5	1,352	1,352	-
Short-term funds	1.2 - 2.0	73,500	73,500	-	1.2 - 2.0	57,000	57,000	-
		73,500	73,500	-		58,352	58,352	-

Financial liabilities

The information on interest-bearing financial liabilities are disclosed in Note 30.4.

30. Financial instruments (continued)

30.5 Interest rate risk (continued)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments
The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments
If interest rates as at the end of the reporting period increase by 100 basis points (bp) with all other variables being held constant, the Group and the Company's profit after taxation would have decreased by RM5,345,000 (2021 - RM6,801,000) and RM4,467,000 (2021 - RM6,086,000). A 100 bp decrease would have had an equal but opposite effect on the profit after taxation.

30.6 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 State Dollar ("USD"), Euro, Australian Dollar ("AUD"), Norwegian Krone ("DKK") and Qatari Riyal ("QAR").

The Group and the Company hold derivative financial instruments to hedge their foreign currency risk exposures. The exposure to foreign currency risk of the Group and of the Company is monitored by the management from time to time.

The foreign exchange contracts are used as hedges to manage the operational exposures to foreign currency risks. The exposure to foreign currency risk of the Group and of the Company is also mitigated by natural hedging via borrowings and payment of operational costs and expenses in the same currency of the major receivables.

The Group's exposure to major foreign currencies risk, based on carrying amounts as at the end of the reporting period are as follows:

Group	USD RM'000	EURO RM'000	AUD RM'000	SGD RM'000	QAR RM'000
2022					
Financial assets	237,898	3,238	115,623	6,830	47,844
Financial liabilities	(79,107)	(8,000)	(37,771)	(1,595)	(15,453)
Net financial assets/(liabilities)	158,791	(4,762)	77,852	5,235	32,391
Less:					
Net financial liabilities denominated in the respective entities' functional currencies	(65,733)	1,367	(51,652)	(4,883)	(32,391)
Forward foreign currency contracts (contracted notional principal)	(136,550)	-	-	-	-
Net currency exposure	(43,492)	(3,395)	26,200	352	-

30. Financial instruments (continued)

30.6 Foreign currency risk (continued)

The Group's exposure to major foreign currencies risk, based on carrying amounts as at the end of the reporting period are as follows: (continued)

Group	USD RM'000	EURO RM'000	AUD RM'000	SGD RM'000	QAR RM'000
2021					
Financial assets	234,969	6,961	117,502	17,740	76,169
Financial liabilities	(55,035)	(6,469)	(49,084)	(945)	(22,868)
Net financial assets/(liabilities)	179,934	492	68,418	16,795	53,301
Less:					
Net financial liabilities denominated in the respective entities' functional currencies	(111,839)	(61)	(42,344)	(1,026)	(53,104)
Forward foreign currency contracts (contracted notional principal)	(32,527)	-	-	(3,249)	-
Net currency exposure	35,568	431	26,074	12,520	197

Sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:

Effects on profit after taxation

Group	USD RM'000	EURO RM'000	AUD RM'000	SGD RM'000	QAR RM'000
2022					
- strengthened by 5%	(1,653)	(129)	996	13	-
- weakened by 5%	1,653	129	(996)	(13)	-
2021					
- strengthened by 5%	1,352	16	991	476	7
- weakened by 5%	(1,352)	(16)	(991)	(476)	(7)

30. Financial instruments (continued)

30.6 Foreign currency risk (continued)

The Company's exposure to major foreign currency is as follows:

Company	USD RM'000	EURO RM'000	AUD RM'000	SGD RM'000	QAR RM'000
2022					
Financial assets	12,745	44,685	1,099	10	(96)
Financial liabilities	(87,044)	(12,588)	-	(40,361)	(6,884)
Net financial assets/(liabilities)	(74,299)	32,097	1,099	(40,351)	(6,980)
Less:					
Net financial assets/(liabilities) denominated in the respective entities' functional currencies	-	-	-	-	-
Forward foreign currency contracts (contracted notional principal)	26,340	-	-	-	-
Net currency exposure	(47,959)	32,097	1,099	(40,351)	(6,980)
2021					
Financial assets	13,807	44,967	1,115	146	165
Financial liabilities	(85,211)	(12,666)	(1,850)	(9,749)	(38,037)
Net financial assets/(liabilities)	(71,404)	32,301	(735)	(9,603)	(37,872)
Less:					
Net financial assets/(liabilities) denominated in the respective entities' functional currencies	-	-	-	-	-
Forward foreign currency contracts (contracted notional principal)	5,496	-	-	-	-
Net currency exposure	(65,908)	32,301	(735)	(9,603)	(37,872)

30. Financial instruments (continued)

30.6 Foreign currency risk (continued)

Sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:

Effects on profit after taxation

Company	USD RM'000	EURO RM'000	AUD RM'000	SGD RM'000	QAR RM'000
2022					
- strengthened by 5%	(1,822)	1,220	42	(1,533)	(265)
- weakened by 5%	1,822	(1,220)	(42)	1,533	265
2021					
- strengthened by 5%	(2,505)	1,227	(28)	(365)	(1,439)
- weakened by 5%	2,505	(1,227)	28	365	1,439

30.7 Fair value information

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values.

For those financial assets and financial liabilities that are impractical to establish the market value or fair value, are carried at cost less impairment, if any.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
2022				
Financial assets				
Forward exchange contracts	-	1,101	-	1,101
Short-term funds	103,475	-	-	103,475
	103,475	1,101	-	104,576
Financial liabilities				
Forward exchange contracts	-	-	-	-

30. Financial instruments (continued)

30.7 Fair value information (continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
2021				
Financial assets				
Forward exchange contracts	-	37	-	37
Short-term funds	146,544	-	-	146,544
	146,544	37	-	146,581
Financial liabilities				
Forward exchange contracts	-	(265)	-	(265)

31. Contingent liabilities

Continuing financial support

The Company has undertaken to provide continuing financial support to certain subsidiaries to enable them to meet their financial obligations as and when they fall due (Note 5).

Contingent liabilities - litigation

31.1 Muhibbah Engineering (M) Bhd ("the Company") v Syrian Civil Aviation Authority ("SCAA")

The Company has commenced arbitration proceedings at the Dubai International Arbitration Centre to claim against SCAA for approximately EURO36.0 million for interest and costs for works done in relation to the rehabilitation and upgrading of some of the Damascus International Airport facilities in Syria which was substantially completed by the Company previously. The Company is refuting SCAA's Claim in Syria Court including on the ground that the Courts in Syria lack of jurisdiction.

31.2 Toyo Thai Malaysia Sdn Bhd ("TTML") v Muhibbah Engineering (M) Bhd ("the Company")

The Company has commenced arbitration proceedings against TTML and issued a demand letter to TTML's parent company, TTCL Public Company Limited ("TTCL"), for an outstanding sum of approximately RM157.3 million which includes but is not limited to the value of work done pursuant to re-measurement of the actual quantities of work, change orders and all relevant claims.

The Company is also refuting TTML's counterclaim against the Company for an amount of approximately RM28.6 million as it is not in compliance with the conditions of the contract.

31. Contingent liabilities (continued)

Contingent liabilities - litigation (continued)

31.3 Additional tax assessment from the Inland Revenue Board of Malaysia ("IRB")

The Inland Revenue Board of Malaysia ("IRB") has issued notices of assessment for tax liability amounting to RM23 million (Company: RM12 million) to the Company and one of its wholly owned subsidiaries for previous years of assessment by disallowing tax deduction on accruals made for project costs incurred and the related group tax relief for the subsidiary.

The tax solicitor and the Directors are of the view that IRB has no legal and factual basis to impose such tax assessment. The Company was granted a stay of enforcement of the notices of assessment by the Federal Court until the full and final determination substantive judicial review application in the High Court whereas, its subsidiary company has been granted a stay of enforcement of its notices of assessment by the Court of Appeal pending its appeal at the Court of Appeal.

Accordingly, the Directors are of the opinion that no provision is required in the financial statements for such additional assessment.

32. Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with its subsidiaries (see Note 5) and its associates (see Note 6).

The significant related party transactions of the Group and of the Company, other than key management personnel compensation are as follows:

	Company	
	2022 RM'000	**2021 RM'000**
Significant transactions with subsidiaries:		
Gross dividend income	(224,053)	(36,314)
Purchase of materials and services	212,903	217,333
Rental expense	1,378	21,841
Interest expense	51,936	16
Rental income	(4,657)	(33)
Interest income	-	(15,266)
Sale of property, plant and equipment	(1,752)	(454)
Shared services	(2,474)	(2,474)

32. Related parties (continued)

The significant related party transactions of the Group and of the Company, other than key management personnel compensation are as follows: (continued)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Significant transactions with associates:				
Gross dividend income	(4,100)	(8,200)	(4,100)	(8,200)
Technical assistance fee	(10,709)	(8,179)	(10,709)	(8,179)
Sale of goods	(4,669)	(6,881)	-	-

The above transactions have been entered into the normal course of business and have been established under negotiated terms.

The outstanding net amounts due from/(to) subsidiaries and associates as at 31 December 2022 are disclosed in Note 7 and Note 17 respectively.

33. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions or expansion plans of the Group. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes in the Group's approach to capital management during the year.

34. Acquisition of subsidiaries

On 31 October 2022, Favelle Favco Berhad completed acquisitions of 70% of Strata Niaga Sdn Bhd and its subsidiary Strata Niaga (B) Sdn Bhd ("Strata Niaga Group") which provides engineering and trading in oil & gas power industry.

34. Acquisition of subsidiaries (continued)

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Group RM'000
Property, Plant and Equipment	649
Cash and cash equivalents	2,682
Receivables and other receivables	3,836
Current tax assets	676
Contract Liability	(1,050)
Trade payables and other payables	(1,498)
Non-controlling interest	(285)
Net identifiable assets acquired	5,010
Add: Non-controlling interests, measured at the proportion share of the fair value of the net identifiable assets	(1,503)
Goodwill from the acquisition	4,100
Total purchase consideration	7,607
Less: Cash and bank balances of subsidiaries acquired	(2,682)
Total net cash outflow from the acquisition of subsidiaries	4,925

(a) The goodwill is attributable mainly to the control premium which cover benefits to be derived from the expected revenue growth of the subsidiary and more future market development of Strata Niaga Group.

The acquired subsidiaries have contributed post acquisition revenue of RM4.7 million and profit after taxation of RM0.7 million to the Group for the 2 months period ended 31 December 2022.

35. Disposal of a subsidiary

On 1 April 2022, Favelle Favco Berhad disposed of its entire equity interests in Exact Oil & Gas Sdn Bhd for RM140,683 in cash.

	Group RM'000
Trade and other receivables	1,544
Cash and bank balances	589
Trade and other payables	(1,658)
Carrying amount of net assets disposed of	475
Less: Non-controlling interests, measured at the proportion share of the fair value of the net identifiable assets	(142)
	333
Loss on disposal of a subsidiary	(193)
Consideration received, satisfied in cash	140
Less: Cash and bank balances of a subsidiary disposed of	(589)
Net cash outflow from the disposal of a subsidiary	(449)

There were no disposals of subsidiaries in the previous financial year.

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 54 to 147 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 of 31 December 2022 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....
Mac Ngan Boon @ Mac Yin Boon
Klang, Selangor Darul Ehsan
Date: 14 April 2023

....
Mac Chung Jin

Statutory Declaration pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Lee Poh Kwee**, MIA Membership Number: 8033, the Director primarily responsible for the financial management of Muhibbah Engineering (M) Bhd., do solemnly and sincerely declare that the financial statements set out on pages 54 to 147 are, to the best of my knowledge and belief, 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 at Klang, in Selangor Darul Ehsan on 14 April 2023.

....
Lee Poh Kwee

Before me

Nadzrul Azali Bin Abdul Aziz
Pesuruhjaya Sumpah Malaysia
(No. B548)

Independent Auditors' Report to the members of Muhibbah Engineering (M) Bhd.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Muhibbah Engineering (M) Bhd., which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the 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 financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 54 to 147.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and their cash flows for the financial 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 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' *International Code of Ethics for Professional Accountants (including International Independence Standards* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significant in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue and profit recognition for construction contracts Refer to Note 2(q) and Note 21 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
Construction contract accounting is inherently complex due to the contracting nature of the business, which involves significant judgements. This includes the determination of the total budgeted contract costs to complete the projects and the calculation of percentage of completion which affects the quantum of revenue and profit to be recognised. In estimating the revenue to be recognised, the management considers past experience and work done certified by customers and/or independent third parties, where applicable.	Our audit procedures included, among others: • Read all key contracts and discussed with management to obtain a full understanding of the terms and risks to assess our consideration of whether revenue was appropriately recognised; • Testing the operating effectiveness of internal controls over the completeness, accuracy and timing of revenue recognised in the financial statements; • Assessing the management's assumptions in determining the percentage of completion of projects, estimations of revenue and costs, provisions for foreseeable losses, liquidated and ascertained damages as well as recoverability of billed receivables and costs incurred on variation orders;

Independent Auditors' Report to the members of Muhibbah Engineering (M) Bhd. (continued)

Key Audit Matters (continued)

Revenue and profit recognition for construction contracts Refer to Note 2(q) and Note 21 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
In estimating the total budgeted contract costs to completion, the management considers the completeness and accuracy of its costs estimation, including its obligations to contract variations and claims. The total costs to completion are subject to a number of variables including the accuracy of designs, market conditions in respect of materials and subcontractor cost and construction issues. An error in the estimated profit on contracts could result in a material variance in the amount of profit or loss recognised to date and therefore also in the current period. The profit recognition on contract includes key judgements over the expected recovery of costs arising from variations and claims and assessment on liquidated and ascertained damages costs, where applicable. In addition, changes in judgements, and the related estimates, as contracts progress, can result in material adjustments to margin, which can be both positive and negative. The potential outcome for contracts can have an individually and collectively material impact on the financial statements, whether through error or management bias. We determined this to be a key audit matter due to the complexity and judgemental nature of the budgeting of contract costs to completion, calculation of percentage of completion and the determination of revenue and profit to be recognised.	Our audit procedures included, among others (continued): • Assessing the reasonableness of percentage of completion by comparing to certification by external parties; • Assessing the estimated profit and costs to completion, adjustments for job costing and potential contract losses; and • Assessing whether the amounts recognised in the financial statements were in line with the Group's accounting policy and relevant accounting standards.

Investments in associates Refer to Note 6 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
The major associate is audited by a component auditor of the Group. In the context of our audit of the Group's consolidated financial statements, we have identified revenue recognition amongst others as key audit matter. Revenue is a presumed fraud risk area in the financial statements. Thus, the risk of material misstatement may be high and a good degree of professional scepticism is necessary. Given the significant risk involved when auditing revenue, we have reviewed the component auditor's working papers to ensure sufficient audit procedures had been performed, and the associate's revenue recognition policy was consistent with the accounting standards and has been applied consistently.	We have communicated with the major associate's component auditor and discussed the significant audit risks relating to revenue and have reviewed their working papers and discussed with them the results of their work. The audited financial information of the component auditor is used as evidence in the Group audit. The procedures performed by the component auditor on revenue included:- • Performing test on the operating effectiveness of the associate's controls relevant to recognition of revenue; • Performing sales transaction test to ensure the accuracy and validity of revenue recognised; and • Performing sales cut off test to ensure revenue is recognised in the proper accounting period.

Key Audit Matters (continued)

Recoverability of trade receivables and contract assets
Refer to Note 7 to the financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
Trade receivables and contract assets are major components of the financial position of the Group. The Group assessed at each reporting date whether the trade receivables and contract assets carried at amortised cost are credit-impaired. The Group has applied simplified method to determine the allowance for impairment of trade receivables and contract assets. The expected credit loss model involves the use of various assumptions, economic factors and historical credit behaviour of trade receivables. We identified the expected credit loss on trade receivables and contract assets as a key audit matter due to estimation and judgements significantly used by management in the calculation of expected credit loss, risk of default and the inherent uncertainties during the estimation process.	Our audit procedures included, among others: • Evaluating the methodologies of expected credit loss model developed by the Group; • Testing the accuracy and completeness of the underlying data used in the model and the arithmetical accuracy of the calculation of expected credit loss; • Challenging the reasonableness of the key assumptions and judgements used to calculate the likelihood of default and estimation on the adequacy of the Group's expected credit loss allowance on trade receivables and contract assets; • Reviewing recoverability of major receivables including but not limited to the review of subsequent collections; • Reviewing collections and sales trends during financial year of major receivables; and • Reviewing the status of contract performance and certification of work performed by contract customers or independent third parties.

Net Realisable Value of Inventories under Work-In-Progress
Refer to Note 11 to the financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
Inventories are a major component of the financial position of the Group. The Group assessed at each reporting date whether the inventories are carried at the lower of costs and net realisable value. There are significant degrees of management's assumptions and estimates used for determining the net realisable value, including the stage of completion, expected costs to complete, and expected selling price. Possible changes in judgments and related estimates of the net realisable value may result in material adjustments to the inventories' carrying amounts.	Our audit procedures included, among others: • Reviewing whether inventories are carried at lower of costs and net realisable value; • Evaluating the qualifications, objectivity and competency of the independent external valuer engaged in the valuation of the vessels and assessed the reasonableness of the assumptions used in arriving at the valuation; • Assessing the methodologies used by the independent external valuer to estimate the net realisable value of the vessels; and • Assessing the adequacy of write-down of inventories.

Independent Auditors' Report to the members of Muhibbah Engineering (M) Bhd. (continued)

Key Audit Matters (continued)

Goodwill impairment Refer to Note 9 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
As at 31 December 2022, the Group has goodwill of RM75.283 million for the acquisition of the Intelligent Automation Group. This is an area of focus given the materiality of the Group's goodwill balances and the inherent subjectivity in impairment testing. The judgement in relation to goodwill impairment relates primarily to the assumptions underlying the calculation of the value in use of the business, being the achievability of the long-term business plans.	Our audit procedures included, among others: • Making enquiries and challenging the management on the key assumptions made, including the consistent application of management's methodology, the achievability of the business plans, assumptions in relation to terminal growth in the business at the end of the plan period, and revenue growth, operating margin and discount rates; • Evaluating the reasonableness of the management's estimate of expected future cash flows by taking into consideration the past performance of the Intelligent Automation Group; • Performing sensitivity analysis to assess the impact on the recoverable amount of the cash generating units; and • Reviewing the adequacy of disclosure of goodwill in the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of Directors for the Financial Statements

The directors of the Company are responsible for the preparation of the 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 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 control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the 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 or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, action taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial 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.

Independent Auditors' Report to the members of Muhibbah Engineering (M) Bhd. (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries, of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

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.

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Ung Voon Huay
03233/09/2024 J
Chartered Accountant

Kuala Lumpur

14 April 2023

List of Top 10 Properties as at 31 December 2022

No.	Location	Description of Property	Year of Revaluation	Tenure	Land Area	Age of Building	Carrying Value RM'000
1	HS(D) 99546, Lot 104625, Telok Gong, Mukim & District of Klang, Selangor	Office building and factory	2020	Leasehold expiring 2103	148,400 sq. m.	16 years	134,642
2	Hakmilik 75336, Lot 104505, Mukim & District of Klang, Selangor	Office building, factory and warehouse	2020	Leasehold expiring 2106	86,937 sq. m.	26 years	83,083
3	Hakmilik 109115, Lot 104623, Telok Gong, Mukim & District of Klang, Selangor	Vacant land	2023	Leasehold expiring 2093	105,200 sq. m.	NA	14,260
4	28, Yarrunga Street, Prestons, NSW 2170, Australia	Office building and factory	2022	Freehold	11.6 acres	52 years	52,085
5	HS(D) 99547, Lot 104626, Telok Gong, Mukim & District of Klang, Selangor	Factory building and workshop	2020	Leasehold expiring 2103	52,490 sq. m.	12 years	45,408
6	Geran # 51011, Lot 31814 & Geran # 51020, Lot 31792, Mukim of Senawang, Seremban, Negeri Sembilan	Factory building with office block	2022	Freehold	68,846 sq. m.	17 years	42,481
7	Geran Mukim 17872, Lot 69222, Mukim Kapar, District of Klang, Selangor	Office building and factory	2022	Freehold	18,207 sq. m.	40 years	37,670
8	Hakmilik 6322, Lot 129073, Telok Gong, Mukim & District of Klang Selangor	Factory building and workshop	2020	Leasehold expiring 2104	30,889 sq. m.	8 years	26,211
9	Geran # 26559, Lot 9895, Kg. Jawa, Mukim & District of Klang, Selangor	Office building and factory	2022	Freehold	5.1 acres	23 years	22,376
10	7 AL, Nordkranvej 2, 3540, Lynge DK Denmark	Factory building with office block	2022	Freehold	59,525 sq. m.	52 years	16,809
	Total						475,025

Statistics of Shareholdings as at 29 March 2023

Share Capital

Total number of Issued shares	:	725,167,818* shares
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital*
1 – 99	284	3.496	3,899	0.000
100 – 1,000	1,055	12.987	678,215	0.093
1,001 – 10,000	3,992	49.144	19,870,410	2.740
10,001 – 100,000	2,242	27.600	71,364,503	9.841
100,001 – 36,258,389**	549	6.758	562,039,091	77.504
36,258,390 and above***	1	0.012	71,211,700	9.820
Total	8,123	100.000	725,167,818	100.000

Note:

* *Excluding a total of 1,783,000 shares purchased by the Company and retained as treasury shares as at 29 March 2023*

** *Less than 5% of issued shares*

*** *5% and above of issued shares*

Directors' Shareholdings as per Register of Directors' Shareholdings as at 29 March 2023

Name	Direct Interest	%*	Indirect/ Deemed Interest	%*
Mac Ngan Boon @ Mac Yin Boon	123,638,124	17.050	29,943,750 [(a)]	4.129
Mac Chung Jin	9,990,000	1.378	75,000 [(a)]	0.010
Lee Poh Kwee	10,212,308	1.408	975,000 [(a)]	0.134
Mazlan bin Abdul Hamid	500,000	0.069	-	-

Notes:-

(a) Deemed interest by virtue of the shares held by his/her spouse and/or children pursuant to Section 59(11)(c) of the Companies Act 2016

* *Excluding a total of 1,783,000 shares purchased by the Company and retained as treasury shares as at 29 March 2023*

Shares in related corporation
The interest of the Company's Directors in related companies are disclosed in the Directors' Report for the year ended 31 December 2022 enclosed in this Annual Report.

Options in the Company
The employee's share options held by the Directors in the Company are dislosed in Directors' Report for the year ended 31 December 2022 enclosed in this Annual Report.

Substantial Shareholders as per Register of Substantial Shareholders as at 29 March 2023

Name	Direct Interest (a)	%*	Deemed Interest (a)	%*
Mac Ngan Boon @ Mac Yin Boon	123,638,124	17.050	-	-
Pandanus Associates Inc.	-	-	41,115,800 (b)	5.670
FIL Limited	-	-	41,115,800 (c)	5.670
FIL Financial Services Holdings Limited	-	-	41,115,800 (c)	5.670
FIL Investment Management (Hong Kong) Limited	-	-	41,115,800 (d)	5.670

Notes:-

* *Excluding a total of 1,783,000 shares purchased by the Company and retained as treasury shares as at 29 March 2023.*

(a) *The substantial shareholders' shareholdings shown above are based on notice of interest of substantial shareholders pursuant to Section 138 and 141 of the Companies Act 2016, which had been received by the Company.*

(b) *Deemed interest arising from the interest held by one or more funds managed by the subsidiaries of FIL Limited, by virtue of its shareholdings in FIL Limited.*

(c) *Deemed interest arising from the interest held by one or more funds managed by its subsidiaries.*

(d) *Deemed interest arising from the interest held by one or more funds managed by FIL Investment Management (Hong Kong) Limited.*

Statistics of Shareholdings as at 29 March 2023 (continued)

List of 30 Largest Shareholders as at 29 March 2023

No.	Name	No. of Shares Held	% of Issued Capital*
1	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon	71,211,700	9.820
2	Cartaban Nominees (Asing) Sdn Bhd BBH (LUX) SCA For Fidelity Funds Pacific	29,637,600	4.086
3	Universal Capital Resources Sdn Bhd	25,834,050	3.562
4	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon (551002)	23,218,208	3.201
5	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon	20,650,000	2.847
6	Maybank Securities Nominees (Tempatan) Sdn Bhd Ooi Sen Eng	18,750,000	2.585
7	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (PHEIM)	17,850,200	2.461
8	Maybank Securities Nominees (Tempatan) Sdn Bhd Chew Keng Siew	15,326,250	2.113
9	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (LEEF)	14,374,900	1.982
10	Lembaga Tabung Haji	13,178,700	1.817
11	Maybank Securities Nominees (Tempatan) Sdn Bhd Mac Chung Jin	9,990,000	1.377
12	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For CEKD Venture Sdn Bhd	9,483,700	1.307
13	Noriyati Binti Hassan	9,338,900	1.287
14	Maybank Securities Nominees (Tempatan) Sdn Bhd Mac Chung Hui	8,107,500	1.118
15	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lee Poh Kwee	8,042,900	1.109

List of 30 Largest Shareholders as at 29 March 2023 (continued)

No.	Name	No. of Shares Held	% of Issued Capital*
16	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad For Dana Makmur PHEIM (211901)	7,266,300	1.002
17	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Saw Chai Soon (E-KLC)	7,200,000	0.992
18	Maybank Securities Nominees (Tempatan) Sdn Bhd Mac Ngan Boon @ Mac Yin Boon	6,776,416	0.934
19	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ooi Keng Thye	6,621,000	0.913
20	Kumpulan Wang Persaraan (Diperbadankan)	6,024,300	0.830
21	Maybank Securities Nominees (Tempatan) Sdn Bhd Mac Chung Lynn	6,000,000	0.827
22	HSBC Nominees (Asing) Sdn Bhd Exempt An For Clearstream Banking S.A.	5,872,700	0.809
23	HSBC Nominees (Asing) Sdn Bhd Exempt An For Caceis Bank (LUX BR-UCITSCLT)	5,605,500	0.772
24	Cimsec Nominees (Tempatan) Sdn Bhd CIMB For Jessie W.Y Soon (PB)	5,575,950	0.768
25	Phillip Nominees (Tempatan) Sdn Bhd Exempt An For Phillip Capital Management Sdn Bhd	5,313,345	0.732
26	HSBC Nominees (Asing) Sdn Bhd NTGS LUX For Arcus Genseki Fund	5,129,450	0.707
27	Ho Shu Keong	5,000,000	0.689
28	CIMB Group Nominees (Asing) Sdn Bhd Exempt An For DBS Bank Ltd (SFS)	4,923,700	0.678
29	Universal Trustee (Malaysia) Berhad KAF Core Income Fund	4,587,900	0.632
30	Phillip Nominees (Tempatan) Sdn Bhd Exempt An For Phillip Capital Management Sdn Bhd (EPF)	4,102,400	0.565
		380,993,569	52.538

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fiftieth Annual General Meeting ("**AGM**") of Muhibbah Engineering (M) Bhd ("**MEB**" or the "**Company**") will be conducted on a fully virtual meeting entirely through live streaming and online remote participation and voting from an online meeting platform on **Monday, 26 June 2023 at 2.00 p.m.** from the Remote Participation and Voting ("**RPV**") facilities provided by Tricor Investor & Issuing House Services Sdn Bhd ("**Tricor**") via TIIH Online website at https://tiih.online, for the purpose of considering and if thought fit, passing the following resolutions:-

As Ordinary Business

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2022 and the Reports of the Directors and Auditors thereon.	Please refer to (Explanatory Note 1)
2.	To re-elect the following Directors who retire by rotation pursuant to Article 85 of the Constitution of the Company:-	
	(i) Dato' Mohamad Kamarudin bin Hassan;	**Ordinary Resolution 1**
	(ii) Mr Mac Ngan Boon @ Mac Yin Boon; and	**Ordinary Resolution 2**
	(iii) Encik Mazlan bin Abdul Hamid.	**Ordinary Resolution 3** (Explanatory Note 2)
3.	To re-elect Dato' Khodijah binti Abdullah who retires pursuant to Article 91 of the Constitution of the Company.	**Ordinary Resolution 4** (Explanatory Note 2)
4.	To approve the payment of Directors' fees and benefits payable up to an amount of RM1,300,000.00 from 27 June 2023 until the next AGM of the Company.	**Ordinary Resolution 5** (Explanatory Note 3)
5.	To re-appoint Messrs Crowe Malaysia PLT as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration.	**Ordinary Resolution 6**

As Special Business

To consider and, if thought fit, to pass with or without modifications, the following resolutions:-

6. **Authority for Dato' Mohamad Kamarudin bin Hassan to continue in office as Independent Director of the Company** — **Ordinary Resolution 7** (Explanatory Note 4)

   "**THAT** contingent upon the passing of Ordinary Resolution 1, authority be and is hereby given for Dato' Mohamad Kamarudin bin Hassan, who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years, to continue act as an Independent Director of the Company until the conclusion of the next AGM, in accordance with the Malaysian Code on Corporate Governance."

7. **Authority for Encik Sobri bin Abu to continue in office as Independent Director of the Company** — **Ordinary Resolution 8** (Explanatory Note 4)

   "**THAT** authority be and is hereby given for Encik Sobri bin Abu, who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years, to continue act as an Independent Director of the Company until the conclusion of the next AGM, in accordance with the Malaysian Code on Corporate Governance."

8. **Authority for Directors to issue and allot shares in the Company pursuant to Section 75 of the Companies Act 2016** — **Ordinary Resolution 9** (Explanatory Note 5)

"**THAT** subject to Section 75 of the Companies Act 2016 ("the Act") and approvals of the relevant government/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad ("Bursa Securities") AND THAT such authority shall commence immediately upon the passing of this resolution and continue in force until the conclusion of the next Annual General Meeting of the Company in accordance with Section 76 of the Act.

THAT in connection with the above, pursuant to Section 85(1) of the Act read together with Article 47 of the Constitution of the Company, the shareholders do hereby waive the statutory pre-emptive rights of the offered shares in proportion as their holdings at such price and at such terms to be offered arising from any issuance of new shares above by the Company.

AND THAT the new shares to be issued shall, upon allotment and issuance, rank equally in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that which may be declared, made, or paid before the date of allotment of such new shares."

9. **Proposed Renewal of Authority for Share Buy-Back** — **Ordinary Resolution 10** (Explanatory Note 6)

"**THAT** subject to the requirements of the Main Market Listing Requirements of Bursa Securities, the Act, and the Constitution of the Company, the Company be and is hereby authorised to purchase such number of ordinary shares in the Company through Bursa Securities ("Proposed Share Buy-Back"), as may be determined by the Directors of the Company from time to time upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

(i) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed ten percent (10%) of the total number of issued share capital of the Company at any point in time; and

(ii) the funds allocated by the Company for the Proposed Share Buy-Back shall not exceed the aggregate retained profits of the Company; and

(iii) the authority conferred by this resolution shall continue to be in force until:-

(a) the conclusion of the next AGM of the Company following the general meeting at which this resolution was passed, at which time it shall lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, whether unconditionally or subject to conditions; or

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by an ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first.

THAT the Directors of the Company be and are hereby authorised to deal with the shares purchased in the following manner:-

(a) cancel all the shares so purchased; and/or

(b) retain the shares so purchased as treasury shares, for distribution as share dividends to the shareholders and/or resell on the market of Bursa Securities; and/or

(c) retain part thereof as treasury shares and cancel the remainder.

AND THAT the Directors of the Company be and are hereby authorised to give effect to the Proposed Share Buy-Back with full power to assent to any modifications and/or amendments as may be required by the relevant authorities."

10. **Proposed Renewal of the Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** **Ordinary Resolution 11** (Explanatory Note 7)

"**THAT** subject to the Main Market Listing Requirements of Bursa Securities, approval be and is hereby given for the Renewal of the Existing Shareholders' Mandate for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.1.2 of the Statement/Circular to Shareholders ("Circular") dated 27 April 2023 provided that such transactions are undertaken in the ordinary course of business, at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interests of the minority shareholders of the Company; and

THAT a New Shareholders' Mandate be and is hereby granted for the Company and/or its subsidiaries to enter into additional recurrent related party transactions of a revenue or trading nature with related parties which are necessary for the day-to-day operations and no normal commercial terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders as set out in section 2.1.2 of the Circular dated 27 April 2023; (collectively known as the "Proposed Shareholders' Mandate")

THAT the Proposed Shareholders' Mandate conferred by this resolution shall continue to be in force until:-

a) the conclusion of the next AGM of the Company at which time it will lapse, unless by a resolution passed at the next AGM, the Proposed Shareholders' Mandate is renewed; or

b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

c) revoked or varied by a resolution passed by the Company's shareholders in a general meeting,

whichever is the earliest.

AND THAT the Directors of the Company be and are hereby authorised to take all steps and to do all such acts and deeds as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

11. To transact any other business of which due notice shall have been given.

BY ORDER OF THE BOARD

IRENE CHOE MEE KAM @ IRENE CHOW MEE KAM (SSM PC No. 202008003930) (MIA 16775)
TIA HWEI PING (SSM PC No. 202008001687) (MAICSA 7057636)
Company Secretaries

Selangor Darul Ehsan
27 April 2023

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 60(d) or (e) of the Constitution of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Securities, a Record of Depositors as at 16 June 2023 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting or appoint proxies to attend and/or vote on his/her behalf.

Notes :-

1. *The Fiftieth AGM shall be conducted fully virtual and the broadcast venue is strictly for the purpose of compliance with Section 327(2) of the Act which requires the Chairman to be present at the meeting venue. No members shall be physically present nor admitted at the Broadcast Venue on the date of the AGM. Members who wish to attend the fully virtual Fiftieth AGM will have to registers online and attend remotely. Please follow the procedures provided in the Administrative Notes for the Fiftieth AGM on the registration and voting process for the meeting.*

2. *A member entitled to attend, participate, speak and vote remotely at this meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote remotely in his/her stead. Each proxy appointed, shall represent a minimum of one hundred (100) shares. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company. There is no restriction as to the qualification of the proxy.*

3. *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.*

4. *Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 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.*

5. *The appointment of proxy may be made in a hard copy form or by electronic means in the following manner and must reach the Company's Share Registrar at least forty-eight (48) hours before the time appointed for holding the AGM:*
   i. *<u>In hardcopy form</u>*
      The Proxy Form may be deposited at the Company's Share Registrar's office at Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01 Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
   ii. *<u>By electronic means</u>*
      The Proxy Form can be electronically lodged with the Company's Share Registrar via the TIIH Online website at https://tiih.online. Please refer to the Administrative Notes for the AGM on the appointment and registration of proxy for the AGM.

6. *Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*

7. *For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL certificate of appointment of authorised representative with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:*
   - *i. If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.*
   - *ii. If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by: (a) at least two (2) authorised officers, of whom one shall be a director; or, (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.*

8. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, resolutions set out in this Notice will be put to vote by way of poll.*

<u>Explanatory Notes to the Agenda</u>

1. **Agenda Item 1 - Audited Financial Statements for the Financial Year Ended 31 December 2022**

   The Audited Financial Statements in Agenda 1 is intended for discussion only as the provision of Section 340(1)(a) of the Act does not require a formal approval of the shareholders and hence is not put forward for voting.

2. **Ordinary Resolutions 1, 2, 3 and 4: Re-election of Directors**

   The profiles of the Directors who are standing for re-election under items 2 and 3 of this Agenda are set out in the Board of Directors' profile of the Annual Report 2022.

   Based on the recommendation of Nominating Committee, the Board is satisfied with the performance and contributions of the following Directors and supports the re-election based on the following justifications:-

   (a) Re-election of Dato' Mohamad Kamarudin bin Hassan as Director

   In accordance with Article 85 of the Company's Constitution, a Director appointed by the Board shall hold office until the conclusion of the next AGM of the Company and shall then be eligible for re-election. Dato' Mohamad Kamarudin bin Hassan, who was appointed as a Director of the Company on 15 May 2014, retires by rotation pursuant to Article 85 of the Company's Constitution and being eligible, has offered himself for re-election at the Fiftieth AGM.

   Shareholders' approval is sought for the re-election of Dato' Mohamad Kamarudin bin Hassan, Ordinary Resolution 1. The profile of Dato' Mohamad Kamarudin bin Hassan listed in the Profile of Directors section.

   (b) Re-election of Mr Mac Ngan Boon @ Mac Yin Boon as Director

   In accordance with Article 85 of the Company's Constitution, a Director appointed by the Board shall hold office until the conclusion of the next AGM of the Company and shall then be eligible for re-election. Mr Mac Ngan Boon @ Mac Yin Boon, who was appointed as a Director of the Company on 22 May 1973, retires by rotation pursuant to Article 85 of the Company's Constitution and being eligible, has offered himself for re-election at the Fiftieth AGM.

   Shareholders' approval is sought for the re-election of Mr Mac Ngan Boon @ Mac Yin Boon, Ordinary Resolution 2. The profile of Mr Mac Ngan Boon @ Mac Yin Boon listed in the Profile of Directors section.

(c) Re-election of Encik Mazlan bin Abdul Hamid as Director

In accordance with Article 85 of the Company's Constitution, a Director appointed by the Board shall hold office until the conclusion of the next AGM of the Company and shall then be eligible for re-election. Encik Mazlan bin Abdul Hamid, who was appointed as a Director of the Company on 15 May 2014, retires by rotation pursuant to Article 85 of the Company's Constitution and being eligible, has offered himself for re-election at the Fiftieth AGM.

Shareholders' approval is sought for the re-election of Encik Mazlan bin Abdul Hamid, Ordinary Resolution 3. The profile of Encik Mazlan bin Abdul Hamid listed in the Profile of Directors section.

(d) Re-election of Dato' Khodijah binti Abdullah as Director

In accordance with Article 91 of the Company's Constitution, a Director appointed by the Board shall hold office until the conclusion of the next AGM of the Company and shall then be eligible for re-election. Dato' Khodijah binti Abdullah, who was appointed as a Director of the Company on 8 August 2022, retires pursuant to Article 91 of the Company's Constitution and being eligible, has offered herself for re-election at the Fiftieth AGM.

Shareholders' approval is sought for the re-election of Dato' Khodijah binti Abdullah, Ordinary Resolution 4. The profile of Dato' Khodijah binti Abdullah listed in the Profile of Directors section.

3. Ordinary Resolution 5: Approval for payment of Directors' fees and benefits

Section 230(1) of the Companies Act 2016 provides amongst others, that "the fees" of the Directors and "any benefits" payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, shareholders' approval shall be sought at the forthcoming Fiftieth AGM on the Directors' fees and benefits under Ordinary Resolution 5. The Director' benefits comprise meeting allowances, travelling allowances and other benefits such as directors' and officers' liability insurance.

4. Ordinary Resolutions 7 and 8: Authority for Dato' Mohamad Kamarudin bin Hassan and Encik Sobri bin Abu to continue in office as Independent Director of the Company

Dato' Mohamad Kamarudin bin Hassan ("Dato' Kamarudin") and Encik Sobri bin Abu ("Encik Sobri") were appointed as Independent Directors of the Company on 15 May 2014 and 27 June 2013 respectively and have served for a cumulative term of more than nine (9) years. In accordance with the Malaysian Code on Corporate Governance 2021 ("MCCG"), the Nominating Committee and Board of Directors of the Company, after having assessed the independence of Dato' Kamarudin and Encik Sobri, consider them to be independent based on amongst others, the following justifications and recommend that Dato' Kamarudin and Encik Sobri be retained as Independent Directors of the Company:-

(a) They have met the independence criteria set out in Chapter 1 of the Main Market Listing Requirements of Bursa Securities and are therefore, they would be able to give independent opinion to the Board;
(b) Being director for more than nine (9) years have enabled them to contribute positively during deliberations/ discussions at meetings as they are familiar with the operations of the Company and possess tremendous insight and knowledge of the Company's operations;
(c) They have contributed sufficient time and exercised due care during their tenure as Independent Directors;
(d) They have discharged their professional duties in good faith and also in the best interest of the Company and shareholders;
(e) They have vigilantly safeguarded the interests of the minority shareholders of the Company;
(f) They have the calibre, qualifications, experiences and personal qualities to challenge management in an effective and constructive manner;
(g) They have never compromised on their independent judgement;
(h) They have provided objective views on the performance of the Executive Directors and Management in meeting the agreed goals and objectives; and
(i) They have ensured that there were effective checks and balances in Board proceedings.

Dato' Kamarudin and Encik Sobri have abstained from deliberations and decision on their retention as Independent Directors at the relevant Nominating Committee and Board Meetings.

Pursuant to the MCCG, the Company would adopt a two-tier voting process in seeking the annual shareholders' approval to retain Independent Directors beyond nine (9) years for best practice of corporate governance.

Notice of Annual General Meeting (continued)

5. **Ordinary Resolution 9: Authority for Directors to issue and allot shares in the Company pursuant to Section 75 of the Companies Act 2016**

   For Ordinary Resolution 9, Authority for Directors to issue and allot shares in the Company pursuant to Section 75 of the Companies Act 2016 if passed will give the Directors of the Company from the date of the above meeting, authority to allot and issue ordinary shares from the unissued capital of the Company for such purposes as the Directors consider would be in the interest of the Company. The purposes of this general mandate is for possible fund raising exercise but not limited to further placing of the shares for purpose of funding investment(s), working capital and/or acquisitions at any time to such persons in their absolute discretion without convening a general meeting as it would be both costs and time-consuming to organize a general meeting. This authorization will expire at the conclusion of the next AGM of the Company.

   The waiver of pre-emptive rights pursuant to Section 85 of the Companies Act 2016 and Article 47 of the Company's Constitution will allow the Directors of the Company to issue new shares of the Company which rank equally to existing issued shares of the Company, to any person without having to offer the new shares to all existing shareholders of the Company prior to issuance of new shares in the Company under the General Mandate.

   This general mandate is a renewal of the mandate obtained from the shareholders at the AGM of the Company held on 22 June 2022. The Company did not exercise the mandate obtained at the last AGM and thus no proceeds were raised from the previous mandate.

6. **Ordinary Resolution 10: Proposed Renewal of Authority for Share Buy-Back**

   For Ordinary Resolution 10, the detailed information on the Proposed Renewal of Authority for Share Buy-Back Authority is set out in the Statement/Circular to Shareholders dated 27 April 2023.

7. **Ordinary Resolution 11: Proposed Renewal of the Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

   For Ordinary Resolution 11, the detailed information on the Proposed Shareholders' Mandate is set out in Statement/Circular to Shareholders dated 27 April 2023.

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 the 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.

MUHIBBAH ENGINEERING (M) BHD
Registration No. 197201001137 (12737-K)
(Incorporated in Malaysia)

Number of Shares Held	CDS Account Number

Proxy Form

*I/*We ______________________________ NRIC No./Passport No./Company No. ______________
(Full name as per NRIC/Certificate of Incorporation in Capital Letters)

of ____
(Full address)

being a member/members of **Muhibbah Engineering (M) Bhd ("the Company")**, hereby appoint Mr/Ms ______________

______________________________ NRIC No./Passport No. ______________

of ____
(Full address)

with Email Address ______________________ Mobile No. ______________

AND Mr/Ms ____

NRIC No./Passport No. ____

of ____
(Full address)

with Email Address ______________________ Mobile No. ______________

OR failing whom, the Chairman of the Meeting as *my/*our proxy/proxies to participate, speak and to vote remotely for *me/*us on *my/*our behalf at the Fiftieth Annual General Meeting of the Company which will be conducted on a virtual meeting entirely through live streaming and online remote participation and voting from an online meeting platform using Remote Participation and Voting ("**RPV**") facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via TIIH Online website at https://tiih.online on Monday, 26 June 2023 at 2.00 p.m. and at any adjournment thereof.

The Proportion of *my/*our holding to be represented by *my/*our proxies are as follows:

Proxy 1	%	Proxy 2	%	100%

*My/*Our proxy(ies) is/are to vote as indicated below :-

Ordinary Resolution No.	Ordinary Business	For	Against
1.	To re-elect Dato' Mohamad Kamarudin bin Hassan as Director of the Company.		
2.	To re-elect Mr Mac Ngan Boon @ Mac Yin Boon as Director of the Company.		
3.	To re-elect Encik Mazlan bin Abdul Hamid as Director of the Company.		
4.	To re-elect Dato' Khodijah binti Abdullah as Director of the Company.		
5.	To approve the payment of Directors' Fees and benefits payable up to an amount of RM1,300,000.00 from 27 June 2023 until the next Annual General Meeting of the Company.		
6.	To re-appoint Messrs Crowe Malaysia PLT as the Company's Auditors and to authorise the Directors to fix their remuneration.		
	Special Business		
7.	Authority for Dato' Mohamad Kamarudin bin Hassan to continue in office as Independent Director of the Company.		
8.	Authority for Encik Sobri bin Abu to continue in office as Independent Director of the Company.		
9.	Authority for Directors to issue and allot shares in the Company pursuant to Section 75 of the Companies Act 2016.		
10.	To approve the Proposed Renewal of Authority for Share Buy-Back.		
11.	To approve the Proposed Renewal of the Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

Please indicate with (X) on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

Dated this .... day of 2023
[* Delete if not applicable]

....
[Signature/Common Seal of Shareholder(s)]

Notes:

1. The Fiftieth Annual General Meeting ("AGM") shall be conducted fully virtual and the broadcast venue is strictly for the purpose of compliance with Section 327(2) of the Companies Act 2016 which requires the Chairman to be present at the meeting venue. No members shall be physically present nor admitted at the Broadcast Venue on the date of the AGM. Members who wish to attend the fully virtual Fiftieth AGM will have to registers online and attend remotely. Please follow the procedures provided in the Administrative Notes for the Fiftieth AGM on the registration and voting process for the meeting.
2. A member entitled to attend, participate, speak and vote remotely at this meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote remotely in his/her stead. Each proxy appointed, shall represent a minimum of one hundred (100) shares. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company. There is no restriction as to the qualification of the proxy.
3. 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.
4. Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 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.
5. The appointment of proxy may be made in a hard copy form or by electronic means in the following manner and must reach the Company's Share Registrar at least forty-eight (48) hours before the time appointed for holding the AGM:
   i. In hardcopy form
      The Proxy Form may be deposited at the Company's Share Registrar's office at Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01 Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
   ii. By electronic means
      The Proxy Form can be electronically lodged with the Company's Share Registrar via the TIIH Online website at https://tiih.online. Please refer to the Administrative Notes for the AGM on the appointment and registration of proxy for the AGM.
6. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
7. For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL certificate of appointment of authorised representative with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:
   i. If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
   ii. If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by: (a) at least two (2) authorised officers, of whom one shall be a director; or, (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, resolutions set out in this Notice will be put to vote by way of 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 the 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.*

Affix
Stamp
Here

Muhibbah Engineering (M) Bhd
197201001137 (12737-K)

Share Registrar
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia