Annual Report **2011**

Malaysia Marine and Heavy Engineering Holdings Berhad

MHB

ANNUAL REPORT 2011

MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD (178821-X)

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MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD

ANNUAL REPORT 2011

A Strong Spirit of Dedication

At MHB, our people are dedicated to delivering the highest standards of service, quality and excellence.

Unwavering commitment is key in delivering mega projects such as the Gumusut-Kakap FPS

Driven to excel, our people are committed to ensuring the success of every project.

A Driving Force of Passion

Our Kinabalu project achieved two million man-hours without lost time injury (LTI)

LNG repair is one of MMHE's main activities

Contents

Vision

A Leading Marine and Heavy Engineering Organisation of Choice

Mission

- We are an international business entity
- Our core businesses are:
  - Engineering and construction in oil & gas
  - Marine conversion
  - Marine repair
- We provide quality products at a competitive price
- We conduct all our activities in a manner that safeguards health, safety and the environment
- Our employees are our greatest asset and we uphold our shared values in everything we do

Shared Values

- **Loyalty**
  Loyal to the nation and corporation
- **Integrity**
  Honest and upright
- **Professionalism**
  Committed, innovative and proactive and always striving for excellence
- **Cohesiveness**
  United in purpose and fellowship

Bustling LNG repair activities at Pasir Gudang Yard, Malaysia

Group Financial Review

OPERATING PROFIT

For the Financial Year Ended ("FYE") 31 March 2011, the Group registered an operating profit of RM399.6 million, an increase of RM18.9 million as compared to the RM380.7 million operating profit recorded in FYE2010. The increase in the Group's operating profit was mainly due to higher profit recorded by its Engineering & Construction segment.

EARNINGS PER SHARE (SEN)

Basic Earnings Per Share ("EPS") increased to 31.1 sen in FYE2011 from 20.9 sen in FYE2010 due to higher profit attributable to the equity holders of the Company. Profit attributable to the equity holders of the Company was RM450.7 million in FYE2011 from RM279.2 million in FYE2010.

DIVIDENDS

The Group paid an interim dividend in respect of the FYE2011, amounting to RM300.0 million in total, comprising:

(a) 18 sen gross per share less 25% taxation on 16,220,000 ordinary shares, amounting to RM2.2 million by utilising Section 108, and
(b) RM18.35 per share single-tier on 16,220,000 ordinary shares, amounting to RM297.8 million.

Subject to shareholders' approval, the proposed final single-tier dividend of 5 sen per ordinary share will be paid on 19 October 2011, translating into a total dividend of RM18.58 per share for FYE2011.

BALANCE SHEETS

The total assets of the Group was higher by 3.0% or RM143.2 million to RM4,927.3 million as at FYE2011 from RM4,784.1 million as at FYE2010. The increase in the Group's total assets was mainly due to higher cash and bank balances by RM682.2 million arising mainly from proceeds of the listing on the Main Market of Bursa Malaysia Securities Berhad.

Other contributing factors to the increase in the Group's total assets include capital expenditure during the year of RM143.2 million as well as higher investments in jointly controlled entities ("JCE") of RM35.0 million.

The reduction in trade and other receivables from RM2,979.3 million in FYE2010 to RM2,304.0 million in FYE2011 was mainly due to settlement amounting to RM500.0 million from immediate holding company.

The Group's total liabilities stood lower at RM2,625.6 million as at FYE2011 from RM3,571.0 million as at FYE2010, mainly due to lower advances received on contracts by RM426.6 million as well as settlement of RM305.5 million borrowings.

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Equity attributable to equity holders of the Company surged to RM2,298.4 million as at FYE2011 from RM1,198.4 million as at FYE2010.

The increase in equity attributable to equity holders of the Company was contributed mainly from the listing of the Company on the Main Market of Bursa Malaysia Securities Berhad, which led to the increase in share capital and creation of share premium of RM131.0 million and RM818.3 million respectively. Total comprehensive income of RM450.7 million also contributed to the higher equity attributable to equity holders of the Company as at FYE2011.

However, the increase in equity attributable to equity holders of the Company as at FYE2011 was reduced by the payment of interim dividend during the period of RM300.0 million.

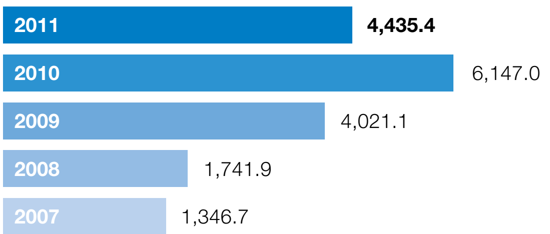
DEBT/EQUITY RATIO

The settlement of borrowings during the financial year has led to a reduction in the Group's debt equity ratio from 0.25 as at FYE2010 to nil as at FYE2011.

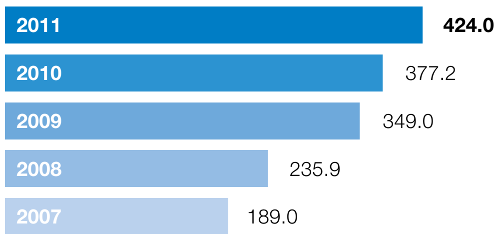
5-Year Financial Highlights

	2007 RM million	2008 RM million	2009 RM million	2010 RM million	2011 RM million
Revenue	1,346.7	1,741.9	4,021.1	6,147.0	**4,435.4**
Profit before taxation	189.0	235.9	349.0	377.2	**424.0**
Profit for the year attributable to equity holders of the Company	164.0	192.4	278.3	279.2	**450.7**
Dividends	-	-	-	-	**300.0**
Earnings per share (sen)	12.3	14.4	20.8	20.9	**31.1**
Equity attributable to equity holders of the Company	448.5	640.9	919.2	1,198.4	**2,298.4**
Total assets	1,375.0	1,647.4	2,661.4	4,784.1	**4,927.3**
Total liabilities	922.8	1,000.6	1,732.3	3,571.0	**2,625.6**
Total borrowings	105.5	49.1	255.8	305.5	**-**
Net tangible assets per share (sen)	0.3	0.5	0.7	0.9	**1.6**
Debt/equity ratio	0.24	0.08	0.28	0.25	**-**
Interest cover ratio	40.4	158.3	699.0	108.8	**499.5**

REVENUE (RM million)

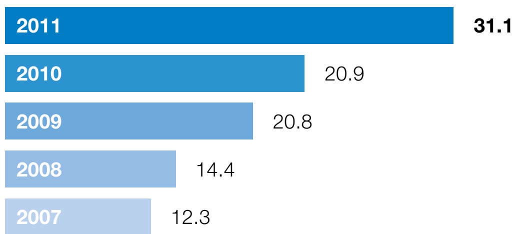


PROFIT BEFORE TAXATION (RM million)

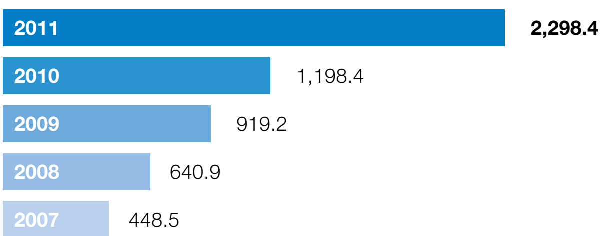


DIVIDENDS (RM million)

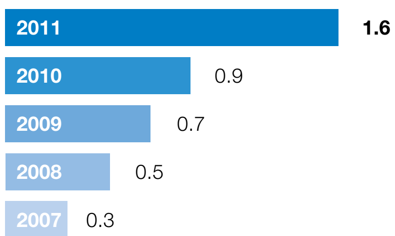
EARNINGS PER SHARE (sen)



EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (RM million)



NET TANGIBLE ASSETS PER SHARE (sen)



CORPORATE INFORMATION

We are united with a common goal to make MHB a global champion

Corporate Profile

Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) is a leading marine and heavy engineering services provider in Malaysia, primarily focused on the oil and gas sector. We offer a wide spectrum of engineering and construction, marine conversion and marine repair services from our yard in Pasir Gudang, Johor, Malaysia and the yard we operate in Kiyanly, Turkmenistan on behalf of PETRONAS Carigali (Turkmenistan) Sdn Bhd.

With over 30 years of invaluable experience and a skilled, dedicated workforce, MHB has the experience, the capabilities and the expertise to deliver integrated and complementary heavy engineering and marine services to the oil and gas industry.

MHB was incorporated in Malaysia in 1989 as a private limited company under the name of MSE Holdings Sdn Bhd. In June 2010, our Company was converted into a public company, and subsequently changed its name from MSE Holdings Berhad to Malaysia Marine and Heavy Engineering Holdings Berhad.

On 29 October 2010, MHB was successfully listed on the Main Market of Bursa Malaysia Securities Berhad. MHB's Initial Public Offering (IPO) received overwhelming support from the investment community and successfully raised RM2.03 billion. It is also the first Malaysian IPO with an international strategic investor, Technip SA of France, a renowned player in project management, engineering and construction in the oil and gas industry.

The story of MHB began with the incorporation of its wholly-owned subsidiary, Malaysia Marine and Heavy Engineering Sdn Bhd or MMHE in May 1973, under the name of Malaysia Shipyard and Engineering Sdn Bhd (MSE). The creation of MSE was part of the Malaysian Government's goal to advance Malaysia's maritime industrialisation programme.

MSE has since grown and evolved through several corporate developments from its privatisation by the Government of Malaysia to becoming a wholly-owned subsidiary of MISC Berhad in 2006 through MHB.

MHB has transformed from being a mere ship repairer to a leading regional marine and heavy engineering services provider; establishing a strong track record of achievements in the oil and gas focused areas of engineering and construction, marine conversion and marine repair.

The inclusion of MHB within the MISC Group of companies enabled the alignment of goals and objectives that are advantageous and synergistic to both organisations. This resulted in a string of accomplishments that included:

- the completion of our first LNG carrier repair works on MISC's LNG carrier, Tenaga Satu, in 1999; and
- the completion of our first marine conversion project through the conversion of MV Hitra into FPSO Perintis in the very same year.

One of MHB's proudest achievements to date is the completion of FPSO Kikeh and the Kikeh Dry Tree Unit Truss SPAR for the Kikeh field which is Malaysia's very first deepwater project. FPSO Kikeh was the first deepwater FPSO in Malaysia and the SPAR Platform was the first to be installed outside of the Gulf of Mexico.

In 2007, MHB Group successfully ventured abroad, by operating and managing the only fabrication yard in Turkmenistan on behalf of PETRONAS Carigali (Turkmenistan) Sdn Bhd.

MHB has indeed come a long way since its incorporation. Today, MHB is recognised as a regional heavy engineering and deepwater support services provider for the oil and gas deepwater industry as well as a key player for LNG ship repair and dry-docking. MHB is also a one-stop centre for marine conversion.

Through partnerships with Samsung Heavy Industries of South Korea, Technip SA of France and ATB Riva of Italy, all of whom are leaders in their respective fields, we have improved MHB's offerings through the enhancement of capabilities and the transfer of technology.

CORE BUSINESSES

Engineering and Construction

MHB offers a full range of oil and gas construction and engineering services, from detailed engineering design and procurement to construction, installation, hook-up and commissioning. Our specialisation is in the construction of various facilities for the offshore and onshore oil and gas industry. Our completed and ongoing projects include the construction of oil and gas production topsides, process modules, turrets, floating production systems, mooring buoy systems and mobile offshore storage units. MHB was the only yard in Malaysia that has constructed deepwater structures for the oil and gas industry.

Marine Conversion

MHB offers a one-stop centre for converting vessels such as VLCCs, Aframax tankers and offshore oil rigs into floating structures for the offshore oil and gas industry such as FPSOs, FSOs, MOPUs and MODUs. Our comprehensive marine conversion services range from engineering design to fabrication, installation and commissioning of these structures. Other services offered include the construction of new-built structures, including tender rig barges, and "jumboisation" works, which are complex engineering operations to increase a vessel's length, breadth or both dimensions. MHB is also the only yard in Malaysia that has completed Floating Production, Storage and Offloading/Floating Storage and Offloading (FPSO/FSO) conversions.

Marine Repair

MHB has built upon its core capabilities in general vessel repairs to focus on more complex and more profitable repair and refurbishment projects such as those for LNG carriers and offshore oil rigs at our yard in Pasir Gudang. Our marine repair services include repair, refit and refurbishment services to a wide range of vessels, with a focus on energy-related vessels such as ULCCs, VLCCs and other petroleum tankers, chemical tankers, offshore oil rigs, gas carriers, and other offshore support vessels.

Corporate Profile

Pasir Gudang Yard

Kiyanly Yard

PASIR GUDANG YARD

Our Pasir Gudang Yard is the single largest fabrication yard by annual tonnage capacity in Malaysia. It also boasts one of the largest dry-docks in South East Asia.

Key Highlights

- The only yard in Malaysia that has constructed complex deepwater structures for the oil and gas industry
- The only yard in Malaysia that has completed FPSO/FSO conversions, our first being the FPSO Perintis completed in March 1999
- Constructed FPSO Kikeh which boasts the biggest and heaviest external Turret on any FPSO worldwide
- Backed by a highly skilled workforce of more than 9,700

Pasir Gudang Yard Features

- 150.6-hectare complex with a 1.8 km seafront
- 5 open fabrication areas covering 321,400 m^2
- 35 fully covered workshops totalling 99,000 m^2
- 2 dry-docks accommodating vessels up to 450,000 dwt
- A shiplift system able to lift ships/structures up to 50,000 dwt
- Ability to construct large marine structures with a total tonnage of 69,700 MT per year
- Capable of undertaking any single structure up to 40,000 MT

KIYANLY YARD, TURKMENISTAN

We are the engineering, procurement, construction, installation and commissioning (EPCIC) contractor to PETRONAS Carigali (Turkmenistan) Sdn Bhd since 2004.

Key Highlights

- Completed our first project Magtymguly Drilling Platform-A (MDP-A)
- MMHE-TPGM Turkmenistan operates the Kiyanly Yard on behalf of PETRONAS Carigali (Turkmenistan) Sdn Bhd
- Its workforce comprises professionals from various backgrounds from both Malaysia and Turkmenistan — backed by a highly skilled workforce of more than 2,000

Kiyanli Yard Features

- 43.6-hectare complex
- Ability to fabricate up to 25,000 MT a year

Corporate Information

as at 14 July 2011

BOARD OF DIRECTORS

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

Independent Non-Executive Directors
Dato' Halipah binti Esa
Datuk Khoo Eng Choo
Heng Heyok Chiang @ Heng Hock Cheng
Yong Nyan Choi @ Yong Guan Choi

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

Managing Director & Chief Executive Officer
Non-Independent Executive Director
Dominique de Soras

BOARD AUDIT COMMITTEE

Dato' Halipah binti Esa (Chairman)
Datuk Khoo Eng Choo
Heng Heyok Chiang @ Heng Hock Cheng
Yong Nyan Choi @ Yong Guan Choi
Bernard Rene Francois di Tullio

REMUNERATION COMMITTEE

Heng Heyok Chiang @ Heng Hock Cheng (Chairman)
Dato' Halipah binti Esa
Captain Rajalingam Subramaniam

NOMINATION COMMITTEE

Datuk Khoo Eng Choo (Chairman)
Dato' Halipah binti Esa
Yee Yang Chien

COMPANY SECRETARIES

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

REGISTERED OFFICE

Level 31, Menara Dayabumi
Jalan Sultan Hishamuddin
50050 Kuala Lumpur
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Homepage : www.mhb.com.my

AUDITORS

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

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Telephone : +603 7841 8000
Facsimile : +603 7841 8151 / 2

FORM OF LEGAL ENTITY

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

STOCK EXCHANGE LISTING

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

PLACE OF INCORPORATION AND DOMICILE

Malaysia

Group Structure

as at 14 July 2011

MHB

Malaysia Marine and Heavy Engineering Holdings Berhad

MMHE — 100% **Malaysia Marine and Heavy Engineering Sdn Bhd**
Provision of oil and gas engineering and construction works and marine conversion and repair services

TISB — 100% **Techno Indah Sdn Bhd**
Sludge disposal management

MMHE | SAMSUNG — 70% **MMHE-SHI LNG Sdn Bhd**
Provision of repair services and dry docking of liquefied natural gas carriers

MMHE | Technip — 60% **MMHE-TPGM Sdn Bhd**
Provision of engineering, procurement, construction, installation and commissioning services

MMHE ATB — 40% **MMHE-ATB Sdn Bhd**
Manufacturing of pressure vessels and tube heat exchangers

MTSB — 100% **Malaysia Marine and Heavy Engineering (Turkmenistan) Sdn Bhd**
Dormant

TMH Technip MHB Hull Engineering — 50% Armada Akses Sdn Bhd (to be renamed as **Technip MHB Hull Engineering Sdn Bhd)**
Build and develop hull engineering and engineering project management capacities

Subsidiary

Jointly Controlled Entity

Profiles of Directors

DATUK NASARUDIN MD IDRIS

Chairman,
Non-Independent Non-Executive Director

Datuk Nasarudin Md Idris, a Malaysian, aged 56, was appointed as the President and Chief Executive Officer of MISC Berhad on 15 June 2010 and was appointed to the Board on the same date. He graduated from the University of Malaya with a Bachelor of Arts (Honours) Degree and holds a Master Degree in Business Administration from Henley-The Management College (Brunel University), United Kingdom. He has also attended the Stanford Executive Programme at Stanford University, United States of America.

Datuk Nasarudin joined Petroliam Nasional Berhad (PETRONAS) in 1978, and had held various positions within the PETRONAS Group, including as Vice President, Corporate Planning and Development of PETRONAS; Group Chief Executive Officer of KLCC Holdings Berhad; Senior General Manager, Corporate Planning and Development Division; Executive Assistant to the President; General Manager, Retail Business of PETRONAS Dagangan Berhad; General Manager, Corporate Development, and General Manager, Group Strategic Planning.

Datuk Nasarudin is the Chairman of several major subsidiaries within MISC Group including Malaysia Marine and Heavy Engineering Holdings Berhad, AET Tanker Holdings Sdn Bhd, Malaysian Maritime Academy Sdn Bhd, MISC Integrated Logistics Sdn Bhd, VTTI B.V. and Centralised Terminal Sdn Bhd. He is also a Management Committee member of PETRONAS and a director of Bintulu Port Holdings Berhad and NCB Holdings Berhad.

Profiles of Directors

DATO' HALIPAH BINTI ESA
Independent Non-Executive Director

Dato' Halipah Esa, a Malaysian, aged 61, was appointed to the Board on 1 April 2007. She received her Bachelor of Arts (Honours) Degree in Economics and a Master of Economics from the University of Malaya. She also holds Certificates in Economic Management from the IMF Institute, Washington and the Kiel Institute for World Economics, Germany as well as a Certificate in Advanced Management Programme from Adam Smith Institute, London.

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

She is currently the Chairman of Cagamas SME Bhd and serves on the boards of MISC Berhad, KLCC Property Holdings Berhad, Northport (Malaysia) Bhd, Malaysia Deposit Insurance Corporation and the Securities Industry Dispute Resolution Centre.

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

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

DATUK KHOO ENG CHOO

Independent Non-Executive Director

Datuk Khoo Eng Choo, a Malaysian, aged 68, was appointed to the Board on 15 June 2010. He is a Chartered Accountant and a member of the Malaysian Institute of Certified Public Accountants (MICPA) and the Malaysian Institute of Accountants (MIA). He was awarded a Master Degree in Business Administration (Hon) by the University of Bath, England.

For over a decade prior to 2002, Datuk Khoo has served in key leadership positions in PriceWaterhouse and PricewaterhouseCoopers in Malaysia, Asia and its World Firm. He served as a member of the Board and Executive Committee of PricewaterhouseCoopers and its predecessor World Firms. He had served in the capacity as an independent director in public listed companies and in senior capacities in the Councils of professional and management institutes in Malaysia and Asia. Currently, he is a director in NCB Holdings Berhad and Kontena Nasional Berhad. He had also previously served on the boards of Putrajaya Corporation, MNI Holdings Berhad, Tanjong Public Limited Company, Powertek Berhad, Ranhill Berhad, Kumpulan Guthrie Berhad and some of its subsidiaries, and Highlands & Lowlands Berhad.

Datuk Khoo chairs the Nomination Committee of the Board and is a member of the Board Audit Committee.

Profiles of Directors

HENG HEYOK CHIANG @ HENG HOCK CHENG
Independent Non-Executive Director

Mr Heng Hock Cheng, a Malaysian, aged 62, was appointed to the Board on 15 June 2010. He received his Bachelor of Science (Honours) Degree in Chemical Engineering from the University of Birmingham, United Kingdom in 1972.

Mr Heng retired from Shell in October 2006 after 34 years of service, spanning Upstream, Downstream and Gas & Power divisions, holding positions ranging from Refinery Process Engineer to Manufacturing Superintendent, from Senior Area Engineer with Shell International, the Hague in The Netherlands to Technical Director of Sarawak and Sabah Shell, from Managing Director of Shell Gas and Power Malaysia to Chairman of Shell China, based in Beijing. Since his retirement from Shell, he has taken up positions as advisors and directors to several corporations. Mr Heng has broad experience in the oil & gas industry gained through wide and varied exposures which include refinery operations, the development of several major offshore oil and gas fields, the strategic business turnaround of the Shell MDS plant in Bintulu, negotiation of major production sharing contracts and board directorship at several key Shell joint ventures in Malaysia and China.

He is a director of several companies in the MISC Berhad Group such as AET Tankers Holdings Sdn Bhd, AET Shipmanagement (Malaysia) Sdn Bhd and AET Shipmanagement (Singapore) Pte Ltd. He is also a member on the board of Employees Provident Fund.

Mr Heng chairs the Remuneration Committee of the Board and is a member of the Board Audit Committee.

YONG NYAN CHOI @
YONG GUAN CHOI
Independent Non-Executive Director

Mr Yong Nyan Choi, a Malaysian, aged 58, was appointed to the Board on 14 January 2011. He was awarded a Master Degree in Business Administration from University of Stracthclyde, Glasgow, United Kingdom in 1995, a Bachelor of Science Degree in Civil Engineering from University of Strathclyde, Glasgow, United Kingdom in 1976 and a Diploma in Civil Engineering from Technical College, Kuala Lumpur in 1972.

He began his career in 1972 as Engineering Assistant at Public Works Department Sarawak, Executive Engineer, Malaysia Consortium, Kuching and held various other positions in Shell Malaysia and became the General Manager of Shell China Sourcing until 2008. Currently, he is a freelancer as a management consultant.

Mr Yong is a member of the Board Audit Committee.

Profiles of Directors

BERNARD RENE FRANCOIS DI TULLIO
Non-Independent Non-Executive Director

Mr Bernard di Tullio, a French, aged 62, was appointed to the Board on 22 November 2010. He graduated from the Ecole Special De Mecanique D'eletricite (ESME) Paris as a Graduate Engineer in Mechanical/Electrical in 1974 and from Institute D'administration Des Enterprise Paris Dess in Management in 1978.

Mr di Tullio is currently the President & Chief Operating Officer of Technip, a position he has held since 2005. He has been with the Technip Group for 36 years, having served 24 years in Technip Geoproduction (M) Sdn Bhd (TPGM). Prior to his current position, he was the President & Chief Executive Officer, Asia Pacific, Technip Group (1998 – 2005), President & Chief Operating Officer of TPGM and the Managing Director, Technip Far East Sdn Bhd (1986 – 2005).

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

YEE YANG CHIEN
Non-Independent Non-Executive Director

Mr Yee Yang Chien, a Malaysian, aged 43, was appointed to the Board on 1 April 2008. He holds a Degree in Financial Accounting/Management and Economics from University of Sheffield, United Kingdom.

Mr Yee is the Vice President, Corporate Planning and Development of MISC Berhad. He was an auditor prior to being involved in the equity research and investment banking arena with various local and international financial institutions such as HLG Capital Berhad and Merrill Lynch (Malaysia) over a span of 10 years. He had since focused mainly on corporate planning work with emphasis on strategic planning, mergers and acquisitions and risk management. He had also served MISC Berhad for 2 years since 2003 in which he was involved in the acquisition of the current MISC Berhad's subsidiary, AET Group (AET). He had also served as Group Vice President of Corporate Planning, AET from June 2005 prior to joining MISC Berhad.

Mr Yee also sits on the board of Malaysia Marine and Heavy Engineering Sdn Bhd, a wholly-owned subsidiary of the Company, as well as several subsidiaries and joint venture companies within the MISC Berhad Group.

Mr Yee is a member of the Nomination Committee of the Board.

Profiles of Directors

CAPTAIN RAJALINGAM SUBRAMANIAM
Non-Independent Non-Executive Director

Captain Rajalingam Subramaniam, a Malaysian, aged 45, was appointed to the Board on 15 June 2010. He holds a Master Degree in Business Administration from Universiti Utara Malaysia and a Master Certificate of Competency – Foreign Going from Akademi Laut Malaysia (ALAM), a wholly-owned subsidiary of MISC Berhad.

Captain Rajalingam gained admission into ALAM as a cadet officer in 1983 and subsequently sailed on MISC vessels as a Sea Going Officer. In 1996, he was appointed as a Marine Superintendent in Fleet Chemical. Between 1996 and 2005, he was assigned various responsibilities in Fleet Management and Audit Department ranging from Health, Security, Safety & Environment, Vetting, Fleet Operations and Audit. When AET group became a part of MISC Berhad, Captain Rajalingam became the General Manager, AET Shipmanagement (Singapore) Pte Ltd in April 2005, before being promoted as its Group Vice President, Ship Management in 2007. He was recently appointed as Honorary Commander of the Royal Malaysian Navy in November 2009, in recognition of MISC's support to the Naval Reservist Programme and his role as Patron of MISC's Naval Reservist. Captain Rajalingam has been elected as an Intertanko Executive Committee Member and The London P & I Club Director in 2010.

He also sits as board member of Malaysia Marine and Heavy Engineering Sdn Bhd, a wholly-owned subsidiary of the Company, as well as several subsidiaries and joint venture companies within the MISC Berhad Group.

Captain Rajalingam is a member of the Remuneration Committee of the Board.

DOMINIQUE DE SORAS

Managing Director & Chief Executive Officer
Non-Independent Executive Director

Mr Dominique de Soras, a French, aged 55, was appointed to the Board on 1 February 2011. He graduated with an Engineering Degree and MSc in Mechanical Engineering from Ecole catholique de Arts et Metiers (ECAM) in Lyon, France.

Mr de Soras has 20 years of experience in the oil and gas industry which covers areas of petroleum engineering, operations management, commercial and major projects in the oil and gas industry. He has broad experience in senior executive roles within the contracting oil and gas industry in business development, acquisitions and major project delivery and in general management of asset base organisation with large capital expenditure budget, implying definition of a clear strategic objective to maintain and grow the asset base. Prior to joining the Company, Mr de Soras was the President, Subsea Division of Technip (2007 – 2010), Executive Vice President, Oil and Gas Division of Technip (2006 – 2007) and Vice President, Offshore Resources Profit Unit of Technip Offshore UK Limited (2001 – 2006). He was also a member of Technip's Executive Committee. He has worked with the Conf exip Group since 1982 until 2006, having held various senior positions.

Mr de Soras is the Chairman of several subsidiaries and jointly controlled entities of the MHB Group.

Additional Information:

1. None of the Directors has any family relationship with any other Directors and/or major shareholders of the Company or has any conf ict of interest with the Company.
2. None of the Directors has convictions for offences within the past ten years.
3. The details of Directors' attendance at Board Meetings held in the financial year ended 31 March 2011 are set out in the Statement on Corporate Governance on page 63 of the Annual Report.

Profiles of Management Committee

DOMINIQUE DE SORAS
Managing Director & Chief Executive Officer

AHMAD ZAKI ABD MALIK
Senior General Manager, Operations

Encik Ahmad Zaki Abd Malik was appointed as Senior General Manager, Operations of Malaysia Marine and Heavy Engineering Sdn Bhd on 1 April 2010. He joined MISC Berhad in December 2000 and held various positions with his last position as General Manager, Maintenance of Fleet Management Services. In 1984, he graduated from South Shield Marine and Technical College, South Shield, England with a Diploma in Marine Engineering. He obtained his First Class Marine Engineer Certificate of Competency from the United Kingdom. He is the Chief Executive Officer of MMHE-SHI LNG Sdn Bhd and a Director of Techno Indah Sdn Bhd, both are subsidiaries of the Company.

WAN MASHITAH WAN ABDULLAH SANI
Chief Financial Officer

Cik Wan Mashitah Wan Abdullah Sani is an accountant by profession and was appointed as the Chief Financial Officer (CFO) on 30 June 2010. She was the CFO of Malaysia Marine and Heavy Engineering Sdn Bhd (MMHE) since May 2010. She joined MISC Berhad in 2002 and held various positions with her last position being the General Manager, Finance before being seconded to MMHE. Her former experience before joining the MISC Group was as a professional accountant at Grant Thornton, Malaysia. She is a fellow of the Chartered Association of Certified Accountants, United Kingdom and a member of Malaysian Institute of Accountants (MIA). Cik Wan Mashitah sits on the board of several subsidiary and jointly controlled entities of the MHB Group.

MANOEL FRANCISCO AVELINO GOMES
General Manager, Marketing & Sales

Mr Manoel Francisco Avelino Gomes was appointed as General Manager, Marketing & Sales on 30 June 2010. He began his career with Jurong Engineering Pte Ltd, Singapore in 1976 before joining Malaysia Marine and Heavy Engineering Sdn Bhd in 1981 as Head of Projects, Shipbuilding and rose to Senior Manager and later Director of Shipbuilding & Conversion. Mr Manoel Gomes holds a Master Degree in Business Administration from Brunel University, United Kingdom and a Bachelor of Engineering (Mechanical) Degree from the University of Singapore. He is a member of the Institute of Engineers, Malaysia and also a registered Professional Engineer (Mechanical) with the Board of Engineers, Malaysia (BOEM). He is a Director of several subsidiary and jointly controlled entities of the MHB Group.

Profiles of Management Committee

AUSMAL KARDIN

General Manager, Legal, Corporate Secretarial and Administration

Encik Ausmal Kardin was appointed as the General Manager, Legal, Corporate Secretarial & Administration on 30 June 2010 and is also the Joint Company Secretary for the Company. He joined Malaysia Marine and Heavy Engineering Sdn Bhd in March 2010 as General Manager, Legal & Administration. He started his career with MISC Berhad in 1994 where he held various positions within the Legal & Corporate Secretarial Affairs Division. His last position in MISC Berhad was as Senior Manager, Maritime Legal Services before joining Bumi Armada Berhad as Vice President, Legal & Secretarial in 2005. Encik Ausmal graduated with a Bachelor Degree in Law from the University of Wales, Aberystwyth and is also a licensed Company Secretary.

ROOYAHAITI YAKUB

General Manager, Human Resource

Puan Rooyahaiti Yakub joined Malaysia Marine and Heavy Engineering Sdn Bhd in July 2010 as the General Manager, Human Resource. She has worked in various industries namely manufacturing, telecommunication, engineering and construction, holding positions within the human resource management and development. She holds a Master Degree specialising in Human Resource Development from the University of Hull, United Kingdom.

Statistics on Shareholdings

as at 14 July 2011

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

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	26	0.41	412	0.00
100 – 1,000	1,830	28.96	1,654,466	0.10
1,001 – 10,000	3,527	55.81	13,456,274	0.84
10,001 – 100,000	691	10.93	20,928,156	1.31
100,001 to less than 5% of issued shares	244	3.86	371,960,692	23.25
5% and above of issued shares	2	0.03	1,192,000,000	74.50
TOTAL	6,320	100.00	1,600,000,000	100.00

SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	% of Issued Share Capital
1	MISC Berhad	1,064,000,000	66.50
2	Technip - held through HSBC Nominees (Asing) Sdn Bhd	128,000,000	8.00

Statistics on Shareholdings

as at 14 July 2011

30 LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	% of Issued Share Capital
1	MISC BERHAD	1,064,000,000	66.50
2	HSBC NOMINEES (ASING) SDN BHD Technip	128,000,000	8.00
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Employees Provident Fund Board	43,014,500	2.69
4	AMANAHRAYA TRUSTEES BERHAD Skim Amanah Saham Bumiputera	35,000,000	2.19
5	HSBC NOMINEES (ASING) SDN BHD Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)	34,809,168	2.18
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Exempt An for Prudential Fund Management Berhad	17,403,900	1.09
7	HSBC NOMINEES (ASING) SDN BHD Exempt An for J.P. Morgan Bank Luxembourg S.A.	15,350,200	0.96
8	CARTABAN NOMINEES (ASING) SDN BHD Exempt An for State Street Bank & Trust Company (West CLT OD67)	12,249,500	0.77
9	AMANAHRAYA TRUSTEES BERHAD Amanah Saham Wawasan 2020	10,065,200	0.63
10	AMANAHRAYA TRUSTEES BERHAD Amanah Saham Malaysia	9,970,000	0.62
11	HSBC NOMINEES (ASING) SDN BHD BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	7,922,135	0.50
12	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Exempt An for American International Assurance Berhad	7,536,300	0.47
13	MAYBAN NOMINEES (TEMPATAN) SDN BHD Mayban Trustees Berhad for Public Ittikal Fund (N14011970240)	7,210,000	0.45
14	HSBC NOMINEES (ASING) SDN BHD TNTC for Saudi Arabian Monetary Agency	7,194,400	0.45
15	PERMODALAN NASIONAL BERHAD	6,000,000	0.38
16	AMSEC NOMINEES (TEMPATAN) SDN BHD AmTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)	5,962,200	0.37
17	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Employees Provident Fund Board (CIMB PRIN)	5,788,900	0.36
18	AMANAHRAYA TRUSTEES BERHAD AS 1Malaysia	5,000,000	0.31
19	CARTABAN NOMINEES (ASING) SDN BHD Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)	4,648,600	0.29

30 LARGEST SHAREHOLDERS (CONT'D)

No.	Name of Shareholders	No. of Shares	% of Issued Share Capital
20	AMANAHRAYA TRUSTEES BERHAD Public Islamic Equity Fund	4,597,700	0.29
21	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Employees Provident Fund Board (Nomura)	4,595,200	0.29
22	HSBC NOMINEES (ASING) SDN BHD Exempt An for JPMorgan Chase Bank, National Association (Saudi Arabia)	4,576,400	0.29
23	HSBC NOMINEES (ASING) SDN BHD Exempt An for JPMorgan Chase Bank, National Association (U.A.E.)	4,211,920	0.26
24	AMANAHRAYA TRUSTEES BERHAD Public Islamic Dividend Fund	3,417,300	0.21
25	SBB NOMINEES (TEMPATAN) SDN BHD Kumpulan Wang Persaraan (Diperbadankan)	3,147,900	0.20
26	AMANAHRAYA TRUSTEES BERHAD Amanah Saham Didik	3,000,000	0.19
27	HSBC NOMINEES (ASING) SDN BHD TNTC for Government of Singapore Investment Corporation Pte Ltd	2,977,800	0.19
28	PERTUBUHAN KESELAMATAN SOSIAL	2,594,600	0.16
29	LEMBAGA TABUNG ANGKATAN TENTERA	2,375,300	0.15
30	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	2,343,500	0.15
TOTAL		1,464,962,623	91.56

DIRECTORS' SHAREHOLDINGS IN THE COMPANY AND/OR ITS RELATED CORPORATIONS

The direct and deemed interests of the Directors in the shares of the Company and/or its related corporations are maintained by the Company in the Register of Directors' Shareholdings pursuant to Section 134 of the Companies Act, 1965. The details of the Directors' interests are disclosed in the Directors' Report on page 84 of this Annual Report.

PERFORMANCE REVIEW

Activities at the main fabrication area (foreground centre) and drydocks (upper left background), Pasir Gudang Yard

Chairman's Statement

2010 has been a landmark year for Malaysia Marine and Heavy Engineering Holdings Berhad ('MHB'). Technip S.A. ('Technip') of France became a strategic shareholder and partner in MHB and the company was successfully listed on Bursa Malaysia in October 2010. Whilst the listing of MHB provides us with the flexibility to access the capital markets for our future funding needs, a strategic collaboration with Technip will help drive our capability development efforts, laying a solid platform for our next plan of growth.

Despite a highly competitive economic landscape in the engineering and offshore fabrication sector, I believe it is an opportune time for MHB to embark on its regional aspirations and compete with the best in the industry for its future sustainability. With crude oil prices at what seems to be an "elevated normal" on the back of growing energy demand in emerging markets and continuing supply concerns, the corresponding growth in global exploration and production ('E&P') spending is expected to intensify. Development of many deepwater and marginal fields has become economically viable with high oil prices, and MHB is poised to take advantage of the growth of the E&P sector in this region.

Financial Performance

I am pleased to report that MHB delivered a commendable post listing revenue of RM4.43 billion for the financial year ended 31 March 2011 with a corresponding net profit before tax of RM424 million. The strong financial result was attributed to better operational efficiencies that yielded higher margins, and the timing impact of the large number of contracts completed during the financial year at both the Pasir Gudang and Kiyanly yards. The Investment Tax Allowance granted by the Government had also improved our profitability. Our balance sheet remains strong with a cash balance of RM1.45 billion at the end of the financial year.

Dividend

The Board of Directors have recommended a final dividend of 5 sen per ordinary share, tax exempt, subject to shareholders' approval at the forthcoming Annual General Meeting. Upon approval, the final dividend is expected to be paid in October 2011.

Corporate Development

MHB's Initial Public Offering ('IPO') was accorded the "Best Initial Public Offer 2010" by The Edge, Malaysia in its annual year end poll. MHB's stock price had performed well since its listing providing a hefty premium to the initial offer price of RM3.61 to retail investors. MHB is consistently on the top 30 stocks on Bursa Malaysia and is in the list of component stocks for the FTSE Bursa Malaysia KLCI.

Technip's entry as a strategic shareholder in MHB further enhanced the collaboration between both parties that began in 2003. Technip's expertise and reputation as a renowned global project management, engineering and construction service provider in the oil and gas industry and MHB's strength in engineering and offshore fabrication will allow both parties to leverage on each other's strengths for their mutual benefit.

Future Outlook

Bullish oil prices and increasing demand is expected to drive global E&P capital expenditure to a new high with an estimated investment of USD2.7 trillion in the next 5 years. In a similar vein, Malaysia's intensified drive in domestic E&P will see a sizeable increment in Petronas' E&P spending with an increasing focus on oil and gas reserves located in frontier areas. This will provide ample opportunities for our engineering and offshore fabrication business.

The ship repair industry, however, is expected to remain benign as shipping rates across most segments continue to experience downward pressures due to excess tonnages. A silver lining to the bleak outlook is our historical focus in

Chairman's Statement

MCR-A and GBS fabricated at Kiyanly Yard


Tangga Barat Jacket


BP Angola External Turret System

servicing the LNG shipping segment and our proximity to key LNG importing nations. Post the Japanese nuclear plant crisis, LNG shipping rates have rebounded with LNG being a preferred alternative source of energy. As energy demand in Asia continues to grow at a rapid pace, demand for LNG shipping is poised for a robust growth.

Given the above economic landscape I am confident that MHB is well placed to leverage on its capabilities to capture the opportunities in the industry.

Appreciation

On behalf of my colleagues on the Board, I would like to express our gratitude to all our stakeholders – the Government, regulators, shareholders, clients and business partners for their continued support through the years and in particular, during our recent listing exercise. My appreciation also goes to my fellow Board members for their invaluable counsel and support in the past year.

MHB's stellar developments, culminating in its recent listing, has been the result of the sheer dedication and efforts of all its employees, led by its Managing Director of the past 6 years, Encik Wan Yusoff bin Wan Hamat. On behalf of the Board, I would like to thank En. Wan Yusoff for his commitment and dedication and wish him continued success in his new role at Petronas.

We also welcome Mr. Dominique De Soras as our new Managing Director & Chief Executive Officer, who brings with him a wealth of experience and technical credentials in the oil and gas industry. It is without doubt that his leadership will greatly benefit and drive MHB's further growth.

Finally, may I accord a special "Thank you" to all employees of MHB group for their continued dedication and commitment which have made MHB's successes to date possible. The achievements of any company are as good as its people and I hope you will continue to give and deliver your best for the company.

DATUK NASARUDIN MD IDRIS
Chairman

MD & CEO's Report

For the financial year ended 31 March 2011 (FY 2010/11), the oil and gas industry continued to capitalise on the recovery trend of the global economy. Growth of oil and gas upstream exploration and production (E&P) activities has returned with an upward trend of CAPEX spending due to improved project viability. World gross domestic product (GDP) continues to grow. Demand for energy is expected to remain on an uptrend, with oil and natural gas remaining as key sources of global energy.

Focus of the financial year has been concentrated in continuing the momentum of strengthening MHB's core business through deliveries of key portfolios as well as gearing up engineering expertise for a more competitive offering in our growth journey. The completion of Tangga Barat Central Platform (TBCP-A), BP Angola External Turret System, Gravity Base Structure (GBS) and Magtymguly Collector Riser Platform (MCR-A) marked significant milestones for the Company. They indicate our determination in augmenting a better value proposition in the oil and gas industry for our clients. As for the marine repair segment, the impact of global shipping freight rate contraction is still being felt. Nevertheless, several marine repair contracts were successfully secured from MISC, Hyundai Merchant Marine and Oman LNG, ref ecting MHB's resilience in overcoming challenges in the business.

FY 2010/11 has witnessed MHB taking a major step in building up resources to unleash its full potential of becoming a prominent engineering, procurement, construction, installation and commissioning (EPCIC) service provider. The capital raised through the listing of MHB will propel the Company towards expanding its yards capability, enhancing our investments in Turkmenistan and boosting MHB's capability to undertake more challenging projects. The listing of MHB has also created an opportunity for long term collaboration with Technip SA, a renowned player in project management, engineering and construction in the oil and gas industry. The entry of Technip SA as a strategic investor is expected to facilitate capability development of MHB and escalate its endeavour of becoming a leading marine and heavy engineering organisation of choice. Our relationship with Technip SA has now matured beyond provider of services as ref ected by the recent undertaking of the Turkmenistan Block 1 project and a few other projects.

As part of the preparation to ride the wave of upstream E&P growth in the coming years, in addition to our continuous training and development programme, MHB will be leveraging on the long term collaboration with Technip SA in developing its capability and enhancing its competency.

BUSINESS SEGMENT REVIEW

Engineering and Construction

MHB's net order book for engineering and construction is RM2.93 billion as at 30 June 2011, providing earnings and cash flow visibility through 2012. It is derived from upstream projects ranging from the central processing platform (CPP) to the floating production system (FPS) for both the domestic and international market. The journey for MHB to expand in the full value chain of being an EPCIC service provider is ongoing. The results have been encouraging with various projects in-hand that require the full spectrum of EPCIC services.

MHB's role in the country's development of energy resources continues with the completion and delivery of PETRONAS Tangga Barat Central Processing Platform in October 2010. The 14,505 metric tonne platform is the main infrastructure in the Tangga Barat cluster gas fields off the coast of Terengganu, Malaysia. It can accommodate all processing facilities, booster compression equipment, and acid gas removal system, a power main generator, utilities and living quarters for the field operation.

Our commitment in supporting PETRONAS' operation in Turkmenistan as the appointed EPCIC service provider continues with the delivery of the GBS and MCR-A during the financial year. They are part of the facilities for Turkmenistan Block 1, Phase 1 Gas Development project owned by PETRONAS Carigali Turkmenistan Sdn Bhd (PCTSB). The

MD & CEO's Report

Gumusut-Kakap Hull

Phase 1 project is the foundation for MHB to penetrate into Turkmenistan. On 2 August 2010, MMHE-TPGM Sdn Bhd, a 60:40 joint venture with Technip Geoproduction (M) Sdn Bhd (TPGM), obtained its branch registration in Turkmenistan. The EPCIC contract for Turkmenistan Block 1, Phase 1, which was previously held by MMHE, has since been novated to MMHE-TPGM.

Another landmark achievement in FY 2010/11 is the completion and delivery of BP Angola External Turret. The project which was awarded by Sofec Inc, a subsidiary of global FPSO player MODEC, was safely delivered in November 2010 after 24 months of construction. This is the ninth contract that we have undertaken with Sofec and the fact that Sofec is a repeat client signifies the trust of a renowned player in the oil and gas industry over MHB's capability in undertaking a project of such importance.

MHB's strength in deepwater projects also includes the construction of Asia's first deepwater FPS, the Gumusut-Kakap semi-submersible, which is approximately weighing 40,000 metric tonne to be deployed offshore Sabah, Malaysia. The FPS is designed to process 150,000 bbl per day from 19 subsea wells and operate in water depths of up to 1,200 metres. The platform, owned by MISC, will be operated by Shell, on behalf of its joint venture partners ConocoPhillips (33%), PETRONAS (20%) and Murphy Oil (14%).

Marine Repair and Conversion

FY 2010/11 was a challenging year for the marine repair business. Influenced by weakened freight rates globally, ship owners are inclined to delay non-essential repair work to reduce cash outflow. The competition is intense with more shipyards in China entering the repair market due to the downturn in the newbuilding market. MHB recorded lower revenue despite an increase in the number of vessels repaired.

Despite the challenging business environment, MHB has instituted several measures to protect its share of the business and secured several repair contracts in FY 2010/11. MMHE-SHI LNG Sdn Bhd, a joint venture company with Samsung Heavy Industries also managed to grow our market share for maintenance, technical solution and refurbishment services for LNG carriers. This is evident through the achievement of securing repair orders for LNG carriers from MISC, Hyundai Merchant Marine Co., Ltd and Oman LNG LLC in the financial year.

For FY 2010/11, in marine conversion, MHB recognised closed-out of prior year contract for FPSO Ruby II. This business segment remains an important niche for MHB.

Vessels on landberth

Marine repair and conversion activities at west finger pier and quay No 8 in Pasir Gudang

Yard Optimisation

The Yard Optimisation Programme of Pasir Gudang yard commenced in 2006 with the aim to increase capacity for engineering & construction and marine repair businesses. The programme also encompasses rationalisation of workshops through automation and construction of specialised enclosed work areas to improve efficiency and turnaround of production.

The construction of the cutting & assembly workshop was completed in May 2009. The newly built workshop is the biggest in the region and has contributed to the fabrication of the Gumusut-Kakap project. The completion and utilisation of the 40,000 MT Skid Track and Bulkhead for Asia's first semi-submersible FPS Gumusut-Kakap, would showcase MHB's expertise in executing deepwater projects.

Marine repair and conversion capacity for high value projects are also expanded with the completion of the west finger pier.

To cater for further expansion, we have entered into a memorandum of understanding with Sime Darby Engineering Sdn Bhd with the intention of acquiring the latter's Pasir Gudang Yard subject to satisfactory findings after a due diligence process.

Cutting & assembly workshop

MD & CEO's Report

Our employees at Kiyanly Yard, Turkmenistan

Human Resource Management

The Human Resource strategies in the FY 2010/11 were focused on strengthening MHB's workforce through talent sourcing and developing capabilities to meet the Company's business objectives. We employed a total of 1,410 permanent staff and 295 contract staff respectively. In addition to our own employees and contract staff, we engaged sub-contractors to provide construction and other services at our Pasir Gudang Yard, and the yard we operate and manage in Kiyanly, Turkmenistan.

For FY 2010/11, a total of RM2.24 million was spent on training and development and an average of 5.4 training man-days per employee. MHB has recently implemented four structured development programmes to build competency skills among our workforce in various disciplines: Project Management Development Programme, Professional Certificate in Offshore Structure, Welding Engineer Development Programme and Planning Engineer Development Programme. The Company strongly believes in developing the capabilities and leadership skills of our workforce to safeguard our future operational competency and business growth.

Health, Safety and Environment

In MHB, we thrive to continuously improve our performance in areas of Health, Safety and Environment (HSE). Both leading and lagging indicators are set to ensure we benchmark ourselves to achieve targets that are realistic (as low as reasonably practicable) and accentuate on the continuous improvement process.

Over the years, MHB had experienced significant increase in man-hours due to business demands. Despite the hegemony in the areas of HSE Management System, we still face challenges with managing sub-contractor personnel and the varying standards of HSE practices.

In the financial year under review, the man-hours increased by 5%. Despite the increase, the total recordable case frequency (TRCF) improved by 58%. Our lost time injury frequency (LTIF) has also improved. MHB constantly challenges itself to revise its procedures, processes and practices in line with global standards towards zero tolerance to HSE non-conformity.

Outlook and Prospect

In line with strong global demand and continued dependence on hydrocarbons as the key sources of energy, MHB is confident of the positive outlook for our industry. With more discoveries and developments in deepwater, and the growing impetus into unconventional fields, the Group is well positioned to benefit from these developments in the Asia Pacific region. By capitalising on the positive market prospects of the business, MHB will continue to develop its competencies in executing oil and gas projects at world class standards.

The demand for FPSO/FSO will continue as they remain the preferred and most viable offshore floating solutions. MHB has been awarded an EPCC contract to convert MT Ozono to FPSO Cendor. The business opportunities for FSRU/FSU conversion are also growing with improved commercial viability and increased demand for gas. MHB will convert a LNG carrier into a FSU facility for Melaka's regasification plant.

For the marine repair business, MHB believes that our yard's strategic location and reputation as an international ship repair yard coupled with its strategic alliances and partnerships fostered with long-term customers will provide an ongoing business stream for the Group. We will continue our focus on energy-related vessel such as ULCCs, VLCCs, petroleum tankers, chemical tankers, offshore rigs, gas carriers and other offshore support vessels. The increasing demand for LNG carriers in the coming years is expected to create opportunities for LNG carrier repair and refurbishment, a market which we focused on. Our aim is to be the Southeast Asia regional leader for LNG carrier repair, where we have a sizeable market share.

In the journey of becoming a leading marine and heavy engineering organisation of choice, MHB will continue to focus on expanding its capacity and human capital development to drive the competitiveness of our business. Greater emphasis will be placed on building the necessary capabilities and competencies as well as to groom desired leadership skills. MHB has just entered into a Joint Venture Agreement with Technip for the establishment of Technip MHB Hull Engineering Sdn Bhd that will perform hull engineering services on floating structures for the oil and gas industry. Equipped with strategic business expansion and improvement initiatives, MHB is confident of sustaining its business growth.

Appreciation

On behalf of the Management of MHB, I would like to take this opportunity to acknowledge and thank our former MD/CEO, En. Wan Yusoff bin Wan Hamat, for his invaluable service for the past six years. I would like to thank all our staff for their dedication and commitment; our valued clients and partners; the Government and its Agencies; and last but not least, our stakeholders and shareholders for their trust and support.

I would also like to express my gratitude to the Chairman, Board of Directors and Board Audit Committee for their guidance and assistance throughout the financial year.

DOMINIQUE DE SORAS
Managing Director & Chief Executive Officer

Business Overview & Highlights

Tangga Barat Topside

40,000 MT Bulkhead & Quay Wall

BP Angola External Turret

ONGOING PROJECTS

- We are currently constructing the first semi-submersible floating production system (FPS) to be installed in Asia, the Gumusut-Kakap FPS for MISC. This landmark 38,000 MT structure, which will be deployed offshore Sabah, is a testament to MHB capabilities of being a full-fledged deepwater player in this region.
- We are also constructing for PETRONAS Carigali Sdn Bhd, the KNPG-B Topsides for Kinabalu Non-Associated Gas (NAG) Development Project. MMHE is responsible for the engineering, procurement and construction for the 18,000 MT structure.
- The marine repair front remained notably active, undertaking repair works for LNG tankers, containers, bulk carriers and other vessels with a total of 31 vessels repaired from April 2011 till June 2011.

BUSINESS PROJECTS COMPLETED & DELIVERED

Pasir Gudang, Johor

- On 10 April 2010, the Tangga Barat jacket left MMHE for the Tangga Barat Cluster gas fields, located in PM313 block; about 185 km offshore Terengganu. The 8,149 MT eight-legged substructure was constructed for PETRONAS Carigali Sdn Bhd.
- On 11 October 2010, MMHE safely delivered the Tangga Barat Topside to PETRONAS Carigali Sdn Bhd.
- On 26 November 2010, the 2,585 MT BP Angola External Turret was safely delivered to Sofec Inc.
- Successfully repaired a total of 93 vessels throughout the financial year.

Kiyanly, Turkmenistan

- On 3 March 2011, the Gravity Base Structure (GBS) weighing 7,900 MT was successfully installed at a water depth of 202 feet.
- The Magtymguly Collector Riser Platform (MCR-A) topside was installed on 8 April 2011.
- The Offshore pipeline installation was completed with the installation of the 26" pipeline in March 2011.
- The Onshore Gas Terminal (OGT) which was constructed for PETRONAS Carigali (Turkmenistan) Sdn Bhd achieved first gas on 11 July 2011.

YARD OPTIMISATION PROGRAMME MILESTONES

Pasir Gudang, Johor

- 2 units of level luffing cranes for west finger pier were completed on 25 January 2011.
- The construction of the 40,000 MT bulkhead and quay wall was completed on 31 March 2010.

MHB Launches IPO Prospectus

Prime Minister's Visit

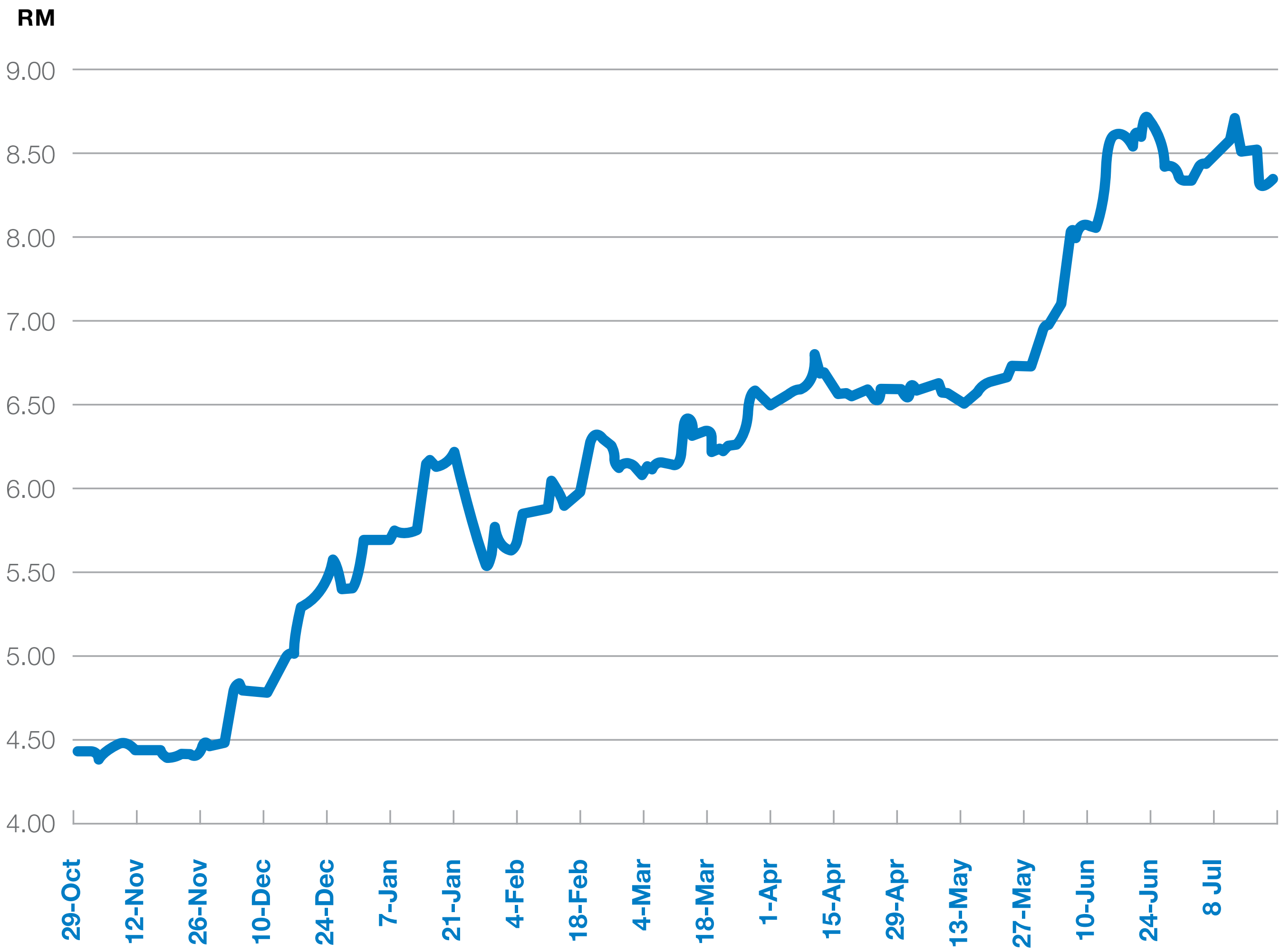
MHB Officially Listed on Bursa Malaysia

Industry Excellence Award 2010

EVENTS HIGHLIGHTS

- **MHB Launches IPO Prospectus**
  On 6 October 2010, MHB launched its Prospectus for its Initial Public Offering (IPO). The launching was officiated by PETRONAS President/CEO, Dato' Shamsul Azhar bin Abbas.
- **MHB Officially Listed on Bursa Malaysia**
  On 29 October 2010, MHB was listed on the Main Market of Bursa Malaysia Securities Berhad. MHB's IPO received overwhelming support from the investment community and successfully raised RM2.03 billion.
- **Prime Minister's Visit**
  On 25 November 2010, MHB received the Prime Minister of Malaysia, Dato' Sri Mohd Najib bin Tun Haji Abdul Razak on an official working visit at its yard in Pasir Gudang, Johor. He was accompanied by Johor Menteri Besar, Datuk Abdul Ghani bin Othman; Higher Education Minister and Member of Parliament for Pasir Gudang, Datuk Seri Mohamed Khalid bin Nordin and other Johor state dignitaries. Receiving the Prime Minister and the other dignitaries, were President/CEO of PETRONAS, Dato' Shamsul Azhar bin Abbas and Chairman of MHB, Dato' Nasarudin Md. Idris and the other Board members.
- **Turkmenistan Road Show Participation**
  MMHE participated in the Turkmenistan International Oil and Gas conference in November 2010 and the Turkmenistan Oil and Gas Road Show Singapore (Silver Sponsorship) in March 2011.
- **Industry Excellence Award 2010**
  On 24 March 2011, MHB's subsidiary MMHE was awarded the prestigious Industry Excellence Award 2010 under the Export Excellence Award – Services category. The Industry Excellence Award was presented by the Ministry of International Trade & Industry (MITI). The Minister of International Trade and Industry Malaysia, Dato' Seri Mustapa Mohamed presented the award.

Share Performance



Month	Closing Price (RM)	Volume Traded
Jun 2011	8.33	35,464,100
May 2011	7.75	87,105,800
Apr 2011	6.88	23,281,700
Mar 2011	6.83	35,641,700
Feb 2011	6.31	48,200,900
Jan 2011	5.83	45,042,300
Dec 2010	5.90	47,561,700
Nov 2010	4.74	72,558,700
Oct 2010	4.51	142,007,800

Financial Calendar

	2010		
Date	**23 September**	**29 October**	**22 November**
Quarterly Results			Q2 FYE2011 results announced
Dividends	Interim Dividend Paid		
Listing		MHB listed on the Main Market of Bursa Malaysia	

	2011			
Date	**22 February**	**6 May**	**21 September**	**19 October**
Quarterly Results	Q3 FYE2011 results announced			
Dividends		FYE2011 results announced. Final Dividend announced		Final Dividend payable
Annual General Meeting			Annual General Meeting	

CORPORATE RESPONSIBILITY REPORT

Human capital is the foundation of our past and future success

Corporate Responsibility Report

At MHB, we believe in conducting business in a responsible and holistic manner. We understand and have always actively addressed the needs and expectations of all stakeholders which include our customers, employees, vendors, contractors and the communities in which we operate. We embed best practices across the Group in order to continuously improve our performance. The journey of MHB goes beyond philanthropic activities and this is to ensure that overall business sustainability objectives are met.

MHB Corporate Responsibility (CR) initiatives cover these key aspects which focuses on conducting our business in a professional and responsible manner.

- Quality
- Health, Safety and Environment
- Human Capital Development
- Corporate Social Responsibility

QUALITY

MHB places importance in ensuring our service quality is met at every level in meeting our customers' satisfaction. To sustain the continuous quality performance, a series of strategies and programmes were consecutively implemented across the Group towards achieving service excellence.

Through our subsidiary, MMHE, MHB is accredited to ISO9001:2008 for its Quality Management System.

Creating Quality Awareness at All Levels

Realising the importance of quality deliverance, Quality Promotion programmes were implemented to motivate and increase quality awareness among the employees across the Group.

Among the initiatives conducted are:
- Good Welding Practice Campaign
- Fitter Qualification Programme
- Incentives to welders with a low defect rate
- On-going training programmes such as Quality Talk/ Roadshow, ISO 9001:2008 Awareness Training, Internal Auditor/Auditee Training, Effective Documentation Workshop and Quality Video Show
- Production and distribution of Welding Awareness Pocket Book
- Training on latest quality enhancement tools by internal and external parties

Monitoring Quality Assurance Compliance

MHB has also introduced structured approaches to monitor quality assurance compliance. These are among the proactive actions that have been initiated:
- Quality meetings and discussions at all levels across the Group
- Audit and surveillance checks
- Implementation of effective action plans on critical non-conformances

Improving Competency Level for Quality Assurance (QA) and Quality Control (QC)

In ensuring that its service levels are met, MHB provides relevant training programmes to enhance various skills, knowledge and competencies among its employees.

The programmes are as follows:
- Training for welding engineers that is recognised by the International Institute of Welding (IIW)
- CSWIP3.0, CSWIP3.1 or CSWIP3.2 for Welding Inspectors
- NACE level 1, level 2 or level 3 for Blasting/Painting Inspectors
- Welding Engineers Development Programme (WEDP)
- Project Managers Development Programme (PMDP)
- Planning Engineers Development Programme (PEDP)

Increase Subcontractor Quality Compliance

Subcontractors play a major role in fabrication activities and have become one of the success factors for MHB's project management. MHB, through MMHE, encourages subcontractors to consistently improve their Quality Compliance against relevant requirements such as ISO 9001:2008 and other standards. Frequent audits and inspections are being carried out as part of the initiatives to gauge the subcontractors' performance and to continuously improve the current processes.

Gain and Increase Customer Satisfaction

MHB has a good mechanism for maintaining and increasing customer satisfaction across the divisions. Any feedback or complaints from clients are immediately attended to and possible solutions are provided. Regular engagements with clients are also conducted for a better understanding of the requirements. From the year 2008 to April 2011, the level of customer satisfaction from various clients is at 'Exceed Satisfaction' for the marine repair business.

BP Angola Turret project HSE Day

HEALTH, SAFETY AND ENVIRONMENT

MHB views Health, Safety and Environment (HSE) as being paramount to its operations and is committed to strengthening the implementation of HSE initiatives within the operation across the Group.

This is in line with MHB's effort in being the champion of all these three elements, which is to create a culture of healthy living, work safety and environmental conservation.

HSE through Leadership & Commitment

In MHB, the Senior Management team is closely involved in the management of HSE. This is demonstrated through the HSE Management Committee (HSE MC), which involves both the Senior Management team and employee representatives, where monthly meetings were conducted with the purpose of monitoring HSE performance and HSE Management System as well as giving input on issues related to health, safety and environment.

The monthly Senior Management HSE Walkabout is further evidence of their leadership, commitment and visibility in convincing the workforce that HSE is highly important while fostering a closer relationship with the employees.

Through this engagement, the Senior Management team is able to identify and continuously improve the HSE practices. To further promote HSE awareness, MHB rewards employees with the HSE Spot Card Award, which is exchangeable for gifts.

Health

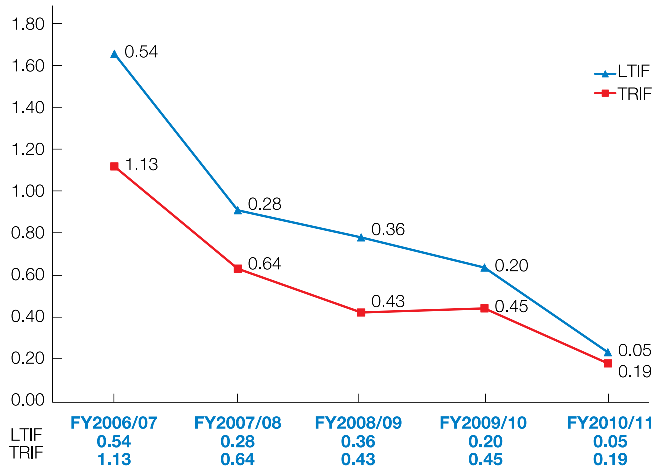
MHB aims to protect employees from work-related illnesses and to promote a healthy lifestyle. The management of MHB firmly believes in the importance of creating a healthy work environment in the pursuit of a healthy workforce. On top of that, MHB takes pride in providing health and medical benefits to the employees where staff welfare is concerned.

Recognising the occupational health risks in MHB operations through risk assessment is essential to us. We have developed and managed health programmes to reduce and minimise the risk and exposure to employees. Detailed noise and chemical exposure monitoring were conducted in areas identified during the risk assessment exercise.

A series of health talks and promotions on occupational and general health were carried out which includes chemical management, respiratory protection, indoor air quality, stress management, ergonomic, dengue and Inf uenza A (H1N1).

Corporate Responsibility Report

Blood Donation Drive



In the pursuit of a totally healthy work environment, food hygiene inspections and annual food hygiene awareness training were performed to increase the awareness among canteen operators.

MHB has also successfully organised sport events and blood donation drives to fuel the healthy culture among employees.

MHB also provides a clinic managed by a reputable medical service provider which ensures employees easy access to medical attention and more importantly, immediate assistance in cases of emergency.

Safety

MHB, through MMHE, is BS OHSAS 18001:2007 certified which emphasises on the effectiveness of the Occupational Safety and Health Management System. This is also due to MHB's ability to constantly identify and introduce initiatives towards continuous improvement.

A series of sustainable HSE programmes such as HSE trainings, Hazards Hunt (a hazard identification programme) and HSE audits were conducted to support the implementation of the HSE Management System (HSE MS). Initiatives for Safe Lifting, Incident Investigation, Emergency Preparedness Drills, Confined Space, Fire Prevention, Working at Height, Safety and Tools, Equipment and Material Handling Safety were developed and executed with the objective to reduce hazards at work place, incidents or accidents. As a result, the Lost Time Injury Frequency (LTIF) of 0.05 for every one million man-hours was recorded in FYE2010/11, compared to 0.20 recorded in the year before.

Meanwhile, the Total Recordable Injury Frequency (TRIF) has improved by 64% in comparison to FYE2009/10.

Environment

As a player in the heavy engineering industry, MHB is committed to conducting its operation in an environmentally-friendly manner. MHB ensures that its operation is in compliance with all existing standards, requirements, applicable laws and regulations. It also ensures that it is able to take proactive measures in mitigating the impact of environmental pollution.

Our serious approach in environmental sustainability, protection and conservation is guided by our Health, Safety and Environment Policy Statement and ISO 14001:2004 Environmental Management System requirements.

MHB also continues to improve and increase the level of environmental awareness while maintaining a solid business performance. The journey towards environmental sustainability is shared among our employees. This has instilled a sense of responsibility in our employees and we believe that this value will grow along with the growth of MHB.

Environmental Management Programme (EMP)
The endeavour begins with evaluating the environmental impacts from every aspect of the business and operation from which EMP was developed and implemented to mitigate the environmental risk.

Through the structured implementation of our EMP, it has enhanced the sense of ownership and instilled personal responsibility towards environment at the workplace.

EMP encompasses these core elements:
- Management commitment
- Accountability, involvement and leadership
- Training and education
- Employee involvement
- Workplace environment aspects identification and analysis
- Workplace significant impact prevention, elimination and control

Waste Management Programme
MHB strongly upholds the value creation in waste management. It strives to continuously reduce its carbon footprint and to improve operation effectiveness while ensuring the environment is conserved.

A number of disposal initiatives that have been embarked by MHB in handling scheduled waste are:
- **Spent Copper Slag**
  One of the key environmental initiatives was to manage the disposal of spent copper slag from the smelting process. Spent copper slag is viable to be used by cement industries as sand replacement. With approval from the Department of Environment, MHB, through MMHE, signed an agreement with a local cement company to move out the spent copper slag to be recycled in manufacturing of cement, hence create value for waste.
- **Recycling of Used Paint Containers**
  100% of used paint containers used in the MMHE yard are sent for recycling, while paint wastes are sent for incineration to Department of Environment licensed contractors.
- **Sludge Disposal – Techno Indah Sdn Bhd**
  MMHE's subsidiary, Techno Indah Sdn Bhd, provides an on-site integrated facility for the treatment and the disposal of sludge and slop from ship tanks. This 'waste to energy' treatment plant incinerates oil-based wastes and produces electricity. The sludge disposal plant is the first in Malaysia that utilises a fuidised bed combustion technology and the only facility in Malaysia ratified to the MARPOL 73/78.

Environmental Monitoring Programme
MHB takes great pride in its track record of adhering to the applicable laws and regulations pertaining to environmental management.

To date, air quality, gaseous stack emission, noise levels for day and night, marine water and water treatment system samples have tested well below the limits required under the respective regulations.

As in previous years, monthly environmental monitoring was conducted at the yard premise and indicators showed that we have achieved our environmental performance standards. The Environmental Monitoring Report is submitted to the Department of Environment as per requirement of the Environmental Impact Assessment.

MHB also aligns its activities in a manner that is consistent with MISC's group goals who initiated the efforts to identify and quantify the pollution loadings through the Environmental Performance Indicator (EPI) System which was set up in November 2007.

The Environmental Performance Indicator (EPI) System status is reported to MISC Corporate Health, Safety and Environment (CHSE) on a monthly basis. MHB continuously evaluates the environmental impact and pollution loadings associated with our operations and takes necessary mitigating measures seriously.

Corporate Responsibility Report

Environmental Initiatives & Awareness
MHB has initiated the effort to take proactive measures in mitigating the impact of environmental pollution by our business activities, through various initiatives and awareness programmes.

Some of the initiatives include:

- **Dust Extraction and Filtration System**
  MHB has constructed an enclosed workshop/chamber equipped with a dust extraction and filtration system to reduce the release of dust into the environment.
- **3R Programme**
  Previously, scheduled wastes (spent lubricant oil, spent hydraulic oil, e-waste and waste batteries) were disposed through the incineration process but with the 3R initiative, these wastes are used as recycled products by recycle waste collectors.
- **Cycling over Motor Vehicles**
  MHB also promotes cycling for all staffs in the yard in an effort to reduce its carbon footprint and to promote a healthy lifestyle among staffs.
- **Earth Hour Celebration**
  MHB raised awareness on energy conservation at its operation sites in conjunction with Earth Hour.

HUMAN CAPITAL DEVELOPMENT

MHB acknowledges and recognises the important role of its human capital in delivering its commitment to its stakeholders. Therefore, MHB is focused on developing a high performing internal talent pool to ensure the future success of its organisation.

MHB's thrust in Human Capital Development is to develop its human resources in 3 core areas of Leadership and Mindset, Functional Excellence and Safeguarding Oneself and Others against injuries and hazards, including protecting the environment.

Leadership Development
In pursuance of developing future leaders in the organisation, selected MHB employees underwent rigorous development and assessment programmes. This is to ensure that the employees are well equipped with thorough preparation to take on higher responsibilities in managing the respective operations and businesses. Selected managers and senior executives were assessed for leadership potentials through assessment centres conducted by Development Dimension International (DDI) and Hewitt Associates. Consequently, employees are placed in the Management Development Programme, a leadership development approach conducted through PETRONAS Management Training Sdn Bhd, in collaboration with the University of Melbourne, Australia. Employees were also given opportunities to be attached to special job assignments and task forces to further develop their core competencies in managing the business. This is further enhanced through guidance and monitoring by the Executive Development Committee and the Management Development Committee.

Capability Development
MHB realises the limited numbers of professional technical talents available in the market. In the effort of addressing the issue of limited talents, employees are given functional trainings to enhance their capabilities and thus increase MHB's competitiveness in the industry. To support MMHE's business in the repair of LNG ships, employees were trained in Korea, Greece, United States of America and Malaysia to acquire unique skills such as Invar Welding, Mark III Welding, Acoustic Emission Test, Cryogenic Machinery Repairs, Distributed Control System and Pump Repairs.

MHB believes in growing its own talents and has undertaken the development of young engineers to develop core functional and technical capabilities that are relevant to business operations. These functional and technical capabilities encompass design & engineering, planning engineering, welding engineering and project management. Seventy-four young engineers are currently enrolled into the respective functional development programmes where they are being groomed and developed over a four to seven year period through formal classroom trainings and on-the-job assignments. These young engineers are also assigned a mentor whose role is to guide and coach these engineers in their pursuit to be excellent functional engineers, managers and eventually become the leaders of the organisation.


Invar Welding Training

Corporate Responsibility Report

Children's Back to School Sale 2010

Educational Visit for Turkmenistan Students

Visit to Turkmenbashy Welfare Home

MHB supports contributions towards the internal and external communities that help people to improve their livelihood while empowering them with new knowledge and skills. We strive to contribute towards social engagement and development programmes in the communities that we operate in.

CORPORATE SOCIAL RESPONSIBILITY

For FYE2010/11, MHB conducted the following programmes aimed at community development and education:

- **Children's Back to School Sale**
  MHB helped to ease employees' financial constraints by subsidising their school uniforms and stationeries.
- **Welder Training Programme**
  At MHB, we believe in sharing our knowledge, expertise and capabilities with our youth. In 2009, a Memorandum of Understanding was established with the Ministry of Human Resource, PETRONAS and MMHE to develop high-grade welders for the oil and gas industry. More than 500 welders from various trade schools (Institut Latihan Perindustrian / Institut Kemahiran MARA) have benefited from this programme since year 2009.
- **Educational Visit for Turkmenistan Students**
  MMHE hosted 35 Turkmenistan students from Universiti Teknologi PETRONAS (UTP) throughout the Semester Break Programme 2010 to expose them to our business and local culture.
- **Internship Programme**
  MMHE has also provided on-the-job training opportunities to undergraduates from local and foreign universities. Interns were attached to both operations and corporate divisions and were assigned mentors to guide them in their learning process.
- **Community Work in Turkmenistan**
  MHB staff in Turkmenistan also took part in various community work such as the renovation and repair of the Turkmenbashy City Hospital and Kiyanly village school. Our staff also contributed in the construction of concrete walkways and renewal of doors at the Turkmenbashy welfare home.

Welder Training Programme

- **Others**
  MMHE had extended contributions to numerous charitable causes such as contributions to orphanages, charities, non-governmental organisations, institutions of higher learning and government agencies.

For FYE2010/11, the contributions were channelled towards:

- Mentally Challenged Children – through Johor Association
- Darul Hanan Orphanage / Underprivileged children in Johor
- Al-Qaim Senior Citizen Nursing Home in Johor
- Universiti Teknologi Malaysia (UTM) 'Deepwater Floating Structure Model Competition'

CORPORATE GOVERNANCE

Teamwork, knowledge and perseverance are vital elements for our future growth

Statement On Corporate Governance

The Board of Directors of Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) (Board) is committed to continually strive for the highest standard of corporate governance throughout the MHB Group (Group) which is essential in maximising shareholder value and building sustainable growth.

This statement sets out the Group's corporate governance processes and activities during the financial year with reference to the principles and best practices of good governance as set out in the Malaysian Code on Corporate Governance (Code).

THE BOARD

(a) Principal Responsibilities of the Board

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

- the Group's strategies and business plan;
- business conduct and key operational initiatives;
- financial plans and annual budget and performance reviews;
- major investments, divestments and funding proposals;
- succession planning and remuneration policy;
- risk management; and
- corporate governance practices.

(b) Constitution of an Effective Board

The Board consists of nine (9) Directors, all of whom are non-executive, except for the Managing Director & Chief Executive Officer (MD/CEO). Of the eight (8) non-executive Directors, four (4) are independent Directors, which is in compliance with the independent directors criteria set out under the Bursa Malaysia Securities Berhad's (Bursa Malaysia) Main Market Listing Requirements. The profile of each Director is presented on pages 19 to 27 of the Annual Report.

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

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

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

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

(c) Board Meetings and Supply of Information

To assist the Directors in planning for their attendance at Board meetings as well as Annual General Meeting (AGM), the meetings are scheduled in advance of the new financial year. The Board meets on a scheduled basis, at least four (4) times a year in conjunction with the release of the Group's quarterly financial results to Bursa Malaysia. Additional meetings are held as and when required.

During the financial year ended 31 March 2011, ten (10) Board meetings were held. Details of the attendance of the Directors in office during the financial year under review are as follows:-

Members	No. of meetings attended	Percentage
Datuk Nasarudin Md Idris (Chairman) (appointed on 15 June 2010)	8 out of 8	100.0
Dato' Halipah binti Esa	9 out of 10	90.0
Datuk Khoo Eng Choo (appointed on 15 June 2010)	8 out of 8	100.00
Heng Heyok Chiang @ Heng Hock Cheng (appointed on 15 June 2010)	7 out of 8	87.5
Yong Nyan Choi @ Yong Guan Choi (appointed on 14 January 2011)	1 out of 1	100.0
Bernard Rene Francois di Tullio (appointed on 22 November 2010)	3 out of 3	100.0
Yee Yang Chien	10 out of 10	100.0
Captain Rajalingam Subramaniam (appointed on 15 June 2010)	7 out of 8	87.5
Dominique de Soras (appointed on 1 February 2011)	1 out of 1	100.0
Amir Hamzah bin Azizan (resigned on 15 June 2010)	2 out of 2	100.0
Nordin bin Mat Yusoff (resigned on 16 June 2010)	2 out of 2	100.0
Iwan Azlan bin Mokhtar (resigned on 16 June 2010)	2 out of 2	100.0
Azhar bin Noordin (appointed on 5 May 2010, resigned on 16 June 2010)	1 out of 2	50.0
Wan Yusoff bin Wan Hamat (resigned on 1 February 2011)	9 out of 9	100.0

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

Each scheduled Board meeting includes a review of the Group's quarterly results and operations, report by the Board Audit Committee, status updates on significant projects and share movement report. In addition, there are matters reserved specifically for the Board's decision, including the approval of the Group's plans and budget, major investments, acquisitions and divestments, appointment of key management positions as well as establishment of key policies and procedures.

Minutes of the Board meetings which include a record of the decisions and resolutions of the Board meetings are properly maintained by the Company Secretary. The Directors have full access to the advice and services of the Company Secretary who is responsible for ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with.

Statement On Corporate Governance

(d) Appointment and Re-election of Directors

The Nomination Committee of the Board recommends to the Board, candidates for directorships to be filled in the Company by considering the following factors:-

- skills, knowledge, expertise and experience;
- professionalism;
- integrity; and
- in the case of candidates for the position of independent non-executive Directors, the ability to discharge such responsibilities/functions as expected of an independent non-executive director.

The Nomination Committee also makes appropriate recommendations to the Board on the renewal or extension of Directors' appointment and re-election of retiring Directors.

The Company's Articles of Association provides that all Directors shall submit themselves for re-election at least every three (3) years in compliance with the Listing Requirements. The Articles of Association also provides that at least one-third (1/3) of the Directors who are longest in office shall retire from office and shall be eligible for re-election. Directors who are newly appointed by the Board shall hold office until the next AGM of the Company and shall then retire and be eligible for election by the shareholders.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with the Companies Act, 1965.

(e) The Board Committees

The Board is supported by the following Board Committees established by the Board to assist in discharging its responsibilities. Each Board Committee operates within its terms of reference, which clearly defines its functions and responsibilities. Minutes of Board Committee meetings are circulated at Board meetings.

Board Audit Committee (BAC)

The BAC assists the Board in ensuring integrity of financial reporting and that there is in place sound internal control systems. Its main responsibilities are to ensure that there are effective risk monitoring and compliance procedures and to act in the interest of the shareholders in respect of matters or issues that affect the financial performance of the Group. The composition and the terms of reference of the BAC and the summary of its activities are as set out in the BAC Report on pages 74 to 76 of the Annual Report.

Nomination Committee (NC)

On 9 July 2010, the Board approved the establishment of the NC which is primarily responsible to propose and recommend to the Board, candidates for directorships to be filled in the Board and Committees of the Board.

The NC comprises three (3) members. All members of the NC are non-executive Directors, and two (2) of whom are independent. The members of the NC and their attendance at the meetings held during the financial year ended 31 March 2011 are as follows:-

Members	No. of meetings attended	Percentage
Datuk Khoo Eng Choo (Chairman)	4 out of 4	100.0
Dato' Halipah binti Esa	4 out of 4	100.0
Yee Yang Chien	4 out of 4	100.0

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

i. The NC shall be appointed by the Board from among its members or such other persons as the Board thinks fit and shall comprise a Chairman and at least two (2) other members. A majority of the members of the NC shall be independent Directors and shall all be composed of non-executive Directors. No alternate Director of the Board is to be appointed as a member of the Committee. The Chairman of the NC must be an independent non-executive Director.
ii. The NC shall meet not less than once in a year and at such other times as the NC Chairman shall require. The presence of two (2) Directors which include one (1) independent non-executive Director shall form a quorum for the NC meetings. The notice and agenda of each meeting shall be sent to all members of the Committee and any other persons that may be required to attend. Minutes of each meeting shall be kept and distributed to each member of the Committee and of the Board. The Committee shall report and may make such recommendations to the Board on matters within the powers vested in it by the Board, as it may think fit.
iii. The other duties and responsibilities of the NC are as follows:-
   - to make appropriate recommendations to the Board on matters of renewal or extension of Directors' appointment and re-election of retiring Directors;
   - to annually review the Board's required mix of skills and experience and other qualities, including core competencies which non-executive Directors should bring to the Board; and
   - to implement a process for assessing the effectiveness of the Board as a whole, the Board Committees and also the contribution of each individual Director to the effective decision making of the Board, through an evaluation process.

Remuneration Committee (RC)

On 9 July 2010, the Board approved the establishment of the RC which is responsible to propose and recommend to the Board:-

- the remuneration and compensation of the Directors, the MD/CEO and the Management Committee members of the Company; and
- the annual company bonus and merit bonus quantum for the Company and its Group of companies.

The RC comprises three (3) members. All members of the RC are non-executive Directors, two (2) of whom are independent. The members of the RC and their attendance at the meetings held during the financial year ended 31 March 2011 are as follows:-

Members	No. of meetings attended	Percentage
Heng Heyok Chiang @ Heng Hock Cheng (Chairman)	2 out of 2	100.0
Dato' Halipah binti Esa	1 out of 2	50.0
Captain Rajalingam Subramaniam	2 out of 2	100.0

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

i. The members of the RC shall be appointed by the Board from among its members or such other persons as the Board thinks fit and shall comprise a Chairman and at least two (2) other members. A majority of the members of the RC shall be independent Directors and shall all be composed of non-executive Directors. No alternate Director of the Board of Directors is to be appointed as a member of the RC. The Chairman of the RC must be an independent non-executive Director.
ii. The RC shall meet not less than once in a year and at such other times as the RC Chairman shall require. The presence of two (2) Directors which include one (1) independent non-executive Director shall form a quorum for the RC meetings. The notice and agenda of each meeting shall be sent to all members of the Committee and any other persons that may be required to attend. Minutes of each meeting shall be kept and distributed to each member of the Committee and of the Board. The Committee shall report and may make such recommendations to the Board on matters within the powers vested in it by the Board, as it may think fit.

Statement On Corporate Governance

(f) Directors' Fee

With the exception of the MD/CEO, with effect from 15 June 2010, all non-executive Directors are paid Directors' fees which shall be subsequently approved by the shareholders at the AGM. For the financial year under review, the breakdown of fees and attendance allowances received by each Director are as listed below:-

Name of Directors	Annual Fees (RM)	Board Attendance Allowance (RM)	Board Committees Attendance Allowance (RM)	Total (RM)
Datuk Nasarudin Md Idris	85,800	32,000	-	117,800
Dato' Halipah binti Esa	57,200	21,000	19,000	97,200
Datuk Khoo Eng Choo (appointed on 15 June 2010)	57,200	24,000	18,000	99,200
Heng Heyok Chiang @ Heng Hock Cheng (appointed on 15 June 2010)	57,200	21,000	10,000	88,200
Yong Nyan Choi @ Yong Guan Choi (appointed on 14 January 2011)	15,484	3,000	2,000	20,484
Bernard Rene Francois di Tullio (appointed on 22 November 2010)	25,800	9,000	2,000	36,800
Yee Yang Chien	57,200	24,000	8,000	89,200
Captain Rajalingam Subramaniam (appointed on 15 June 2010)	57,200	21,000	4,000	82,200
TOTAL	413,084	155,000	63,000	631,084

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

i. Basic Salary
   The basic salary for the executive Director was recommended by the RC and approved by the Board and is fixed for the duration of his contract.
ii. Variable bonus
   The bonus payable to the MD/CEO is measured against agreed targets and key performance indicators.
iii. Benefits-in-Kind
   The MD/CEO is entitled to housing allowance and a company car.

The aggregate remuneration of Directors categorised into appropriate components are set out in the Financial Statements on page 115 of the Annual Report.

(g) Directors' Training

All the Directors have attended the Mandatory Accreditation Programme (MAP) in compliance with the Listing Requirements.

The Directors are encouraged to attend continuous education programmes, talks, seminars, workshops, conferences and other training programmes to enhance their skill and knowledge and to ensure Directors keep abreast with new developments in the business environment.

During the financial year under review, the Directors have attended among others, the following training programmes:-

Training Programmes	Organised by	Date
Developing High Impact Boards	Financial Institutions Directors' Education Programme, Bank Negara Malaysia & PIDM	8 – 9 April 2010 3 – 4 May 2010 10 – 11 June 2010 12 – 13 July 2010
Building Audit Committee for Tomorrow	Financial Institutions Directors' Education Programme, Bank Negara Malaysia & PIDM	20 – 21 May 2010
15th Asia Oil & Gas Conference	PETRONAS	6 – 8 June 2010
Banking Insights	Financial Institutions Directors' Education Programme, Bank Negara Malaysia & PIDM	8 – 9 June 2010
Islamic Institutions & Governance	Financial Institutions Directors' Education Programme, Bank Negara Malaysia & PIDM	30 July 2010
Executive Duties, Compliance and Conscious Governance	Marcus Evans	25 – 27 October 2010
The Regulatory Framework and Directors Duties 2010	MICG	1 November 2010
MAP	Bursatra Sdn Bhd	10 – 11 November 2010 1 – 2 December 2010
Corporate Governance and Boardroom Issues in Challenging Times	PETRONAS	17 – 18 February 2011
Directors' Duties and Governance Conference 2011	MICG	3 March 2011
Risk Management for Directors, CEOs and Senior Executives	The Harvard Club	24 – 25 March 2011

Statement On Corporate Governance

SHAREHOLDERS AND INVESTORS

The Board values its dialogue and engagement with both institutional shareholders and private investors and recognises that timely and equal dissemination of relevant information be provided to them. The AGM is the principal forum of dialogue with the shareholders and also an avenue for the Chairman and Board members to respond personally to all queries and provide sufficient clarification on issues and concerns raised by the shareholders.

Other than the forum of the AGM, the other medium of communication between the Company and shareholders and/or investors are as follows:
- quarterly financial statements and annual reports;
- announcements on major corporate developments to Bursa Malaysia pursuant to the Listing Requirements;
- the Company's general meetings;
- the Company's website at www.mhb.com.my; and
- discussions between the Company's senior Management and analysts/investors throughout the year.

Further details on our investor relations activities are provided on page 78 of the Annual Report.

ACCOUNTABILITY AND AUDIT

(a) Financial Reporting

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

(b) Internal Control

The Board acknowledges its overall responsibility for continuous maintainance of a sound system of internal control to safeguard shareholders' investment and the Group's assets. This principle is further elaborated under the Statement on Internal Control by the Directors on pages 69 to 73 of the Annual Report.

(c) Relationship with the External Auditors

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

The non-audit fees charged by the external auditors during the financial year ended 31 March 2011 amounted to RM2,364,055 (2010: NIL).

(d) Related Party Transactions

The Group has established the appropriate procedures and guidelines to monitor related party transactions (RPT) and recurrent RPT (RRPT) within the Group and to ensure that the Company complies with the Listing Requirements. All RPT are reviewed by the BAC and the same are reported to the Board on a quarterly basis.

Details of the RRPT entered into by the Group during the financial year ended 31 March 2011 are set out on page 133 of the Annual Report.

COMPLIANCE STATEMENT

The Board is satisfied that the Company has complied with the best practices of the Code during the financial year under review.

This statement is made in accordance with the resolution of the Board of Directors dated 5 July 2011.

Statement on Internal Control

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. Paragraph 15.26(b) of the Bursa Securities Listing Requirements requires the Board to make a statement about the state of internal control of the listed entity, Malaysia Marine and Heavy Engineering Holdings Berhad, as a Group.

Bursa Securities' Statement on Internal Control: Guidance for Directors of Public Listed Companies provides guidance for compliance with these requirements.

The Board of Directors ("the Board") is pleased to provide the following statement which outlines the nature and scope of internal control of the Group during the financial year ended 31 March 2011 and is committed to continuously improve the Group's system of internal control.

ACCOUNTABILITY OF THE BOARD

The Board acknowledges its overall responsibility for the Group's system of internal control and its effectiveness to safeguard the shareholders' investment and the Group's assets. This includes reviewing the strategic direction, financial, operational and compliance controls and the risk management policies and procedures.

The Board defines risk parameters and standards guided by the corporate objective to maximise long term shareholders' value whilst meeting the needs of the customers, employees and all related stakeholders. In discharging its stewardship responsibilities, the Board has defined the risk management framework to identify the key risk areas, evaluate the impact and set broad strategic policies relating to the risks and the relevant controls thereof, of which details are set-out in the following pages. This is then delegated to the Management to implement the Board's direction and policies on risk and control.

It should be noted that the system of internal control is designed to manage, control and mitigate risks appropriately rather than eliminating the risk of failure, to achieve business objectives. Accordingly, these internal controls systems can only provide reasonable and not absolute assurance against material misstatement or loss or the occurrence of unforeseeable circumstances.

The Board has established a continuous process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place for the financial year under review. This process includes updating system of internal controls when there are changes to business environment and regulatory guidelines.

The process is regularly reviewed by the Board and is in accordance with the guidance as contained in the publication – Statement on Internal Control: Guidance for Directors of Public Listed Companies.

RISK MANAGEMENT FRAMEWORK

Prior to the listing, the Group has been adopting internal control processes and risk management approaches within the ambit of the PETRONAS/MISC Group practices and requirements. The Group benefits from being part of the PETRONAS and MISC Group, which has an established Risk Management Committee, which defines, develops and recommends risk management strategies and policies for the PETRONAS and MISC Group. During this period, the Group adopts the PETRONAS Enterprise Risk Management policy ("ERM") in identifying, assessing, reporting and monitoring the ever changing risks facing the Group and take specific measures to mitigate these risks.

Statement on Internal Control

In managing the specific key risks, the Group focuses on 4 core risk areas mainly Bidding, Credit, Finance and Project Risk which are supported and governed by respective risk management frameworks and guidelines.

Some of the risk categories are managed on various platforms including participation in Group Risk Committees at MISC Group level. At present, the Group are leveraging on Finance Risk Committee of MISC and Credit Committee of MISC on finance and credit risks respectively.

Project Risk Management are being addressed and monitored at the Project Team level which comprised of the Project Management Team with clients representative. In addition, progress of projects is being reported to the MC periodically. Project updates and issues are reported to the Board on a quarterly basis.

In August 2010, a new body was formed called the Risk Council ("RC") comprising of members of management to oversee risk activities in the Group. In addition implementation of risk management activities at the corporate and business units/subsidiaries level are to be escalated to the RC.

The RC Term of Reference at the point of its creation are as follows:
- ensure the continuous identification, assessment, mitigation and monitoring of all principal risks of the Group
- coordinate and prioritise the risk management activities of the Group to ensure all principal risks are adequately managed
- ensure that a comprehensive risk management policies and framework is in place to provide a strong control environment
- ensure the Group's risk management strategies are continuously aligned with its business strategies and risk tolerance, where risks are considered in the Group's long term plans and investment or capital allocations
- ensure that adequate resources, expertise and information to manage risks are available throughout the Group
- propagate a risk awareness culture among the Group's stakeholders, in particular all staff levels in the Group, by way of continuous risk training and education.

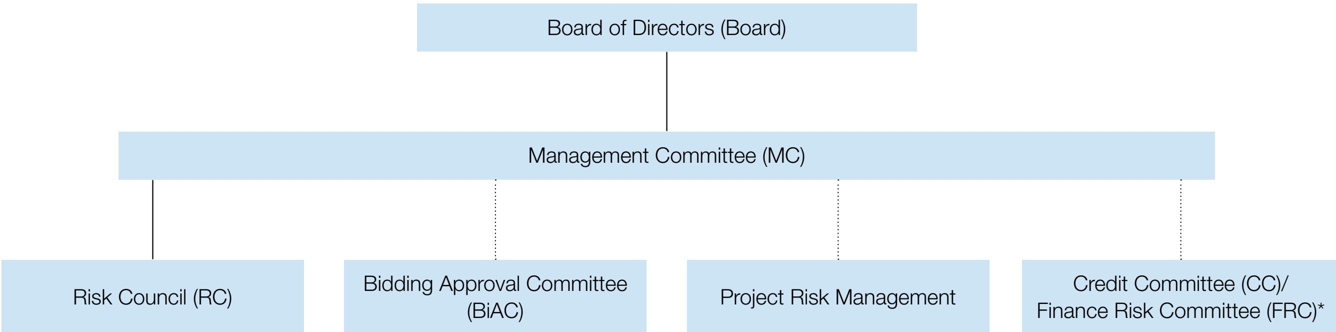
The RC is required to meet on a regular basis with updates to the Board as and when required. Over and above the RC, the Group practices risk mitigation measures through other committees which are as follows:

1. The Bidding Approval Committee ("BiAC") is responsible to ensure various project-related risks are identified and evaluated during the bidding stage. The risk assessment activities include review on the bid proposal, proposed contract terms and conditions as well as bid clarifications. The BiAC also will propose bid approach method and negotiation strategy for bid during the assessment. All BiAC members are members of the Management Committee ("MC").

2. The Group has a representative in the MISC Credit Committee ("MCC") and the MISC Finance Risk Committee ("MFRC"), which regularly reviews the credit and finance risk. The Committees advises on appropriate measures to improve existing credit control procedures and practices and the quality of Trade Accounts Receivables and Financial Policies respectively. The MCC formulates its credit & trading risks based on the credit & trading operational guidelines issued by the PETRONAS Group's Financial Risk Management Operational Committee ("FRMOCO"). The credit & trading risk framework and guidelines have been developed to ensure all matters relating to credit & trading risks are being addressed accordingly. The MFRC provides guidance, direction and monitor compliance to the financial risk management framework and guidelines. MFRC helps to manage the finance risk exposures that include counterparty risk, liquidity risk, foreign exchange risk and interest rate risk.

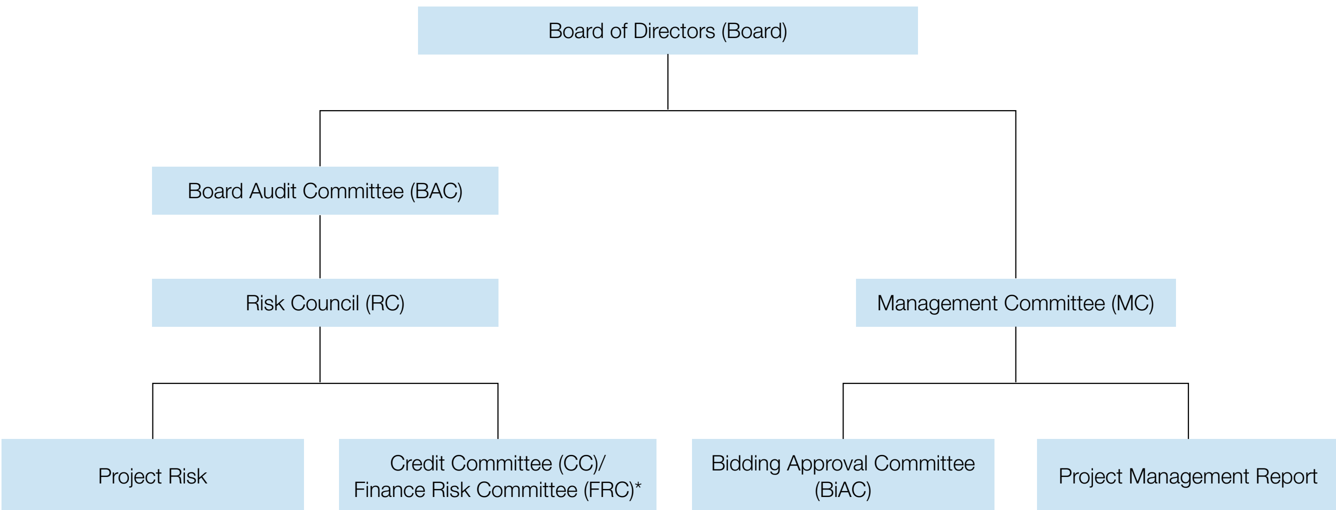
The risk management reporting structure prior to the formation of the Board Audit Committee ("BAC") on 26 June 2010, and subsequent to the formation of BAC and listing on 29 October 2010 is as depicted on the following page:

Before formation of BAC



Note * The Group is also represented at MISC's respective Credit and Finance Risk Committees

After formation of BAC and listing in Bursa Malaysia



Note * The Group is also represented at MISC's respective Credit and Finance Risk Committees

Statement on Internal Control

KEY PROCESSES OF THE GROUP'S SYSTEM OF INTERNAL CONTROL

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

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

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

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

   In addition, BAC conducts half yearly and yearly review and assessment on the adequacy of GIA's scope of work, functions and resources including its annual plan and strategy. The conducts of internal audit work is governed by the Internal Audit Charter and the Internal Audit Charter Memorandum. In addition, the internal audit work also conforms to the Institute of Internal Auditor's (IIA's) International Standards for the Professional Practice of Internal Auditing.

3. Senior Management sets the tone for an effective control environment and culture in the organisation through the Group's shared values, developed to focus on the importance of these four key values:
   - Loyalty
   - Integrity
   - Professionalism
   - Cohesiveness

   The importance of the shared values is manifested in the Code of Conduct which is issued to all staff upon joining. Employees are required to strictly adhere to the Code in performing their duties.

4. The HSE Management Committee ("HSE MC") is responsible in setting the overall direction on HSE implementation to continuously meet legal compliance as a minimum. HSE MC also drives strategies and monitors performance to ensure HSE risks are managed to as low as reasonably practicable by carrying out annual review of HSE Management System as well as monthly assessment and discussion on performance and HSE initiatives.

5. There is also a Corporate Security ("CSD") Division which maintains a clear policy, procedures and framework with the aim to continuously monitor adherence to established industry security standards as well as international security standards applicable under the relevant codes.

OTHER SIGNIFICANT ELEMENTS OF INTERNAL CONTROL SYSTEMS

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

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

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

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

5. Contract Award Committee ("CAC") is a review committee whose role is to ensure that tendering, contracting and purchasing activities within their jurisdiction are conducted in an effective, transparent and fair manner in the interest of the Group. CAC members are of multi-discipline background to ensure balanced composition to provide different perspectives and views for the feedback.

6. The professionalism and competency of staff are enhanced through structured development programmes and potential entrants or candidates are subject to a stringent recruitment process. A Performance Management System ("PMS") is established with performance indicators to review and measure staff performance. Action plans to address staff developmental requirements are prepared and implemented timely. This is to ensure that staffs are able to deliver the expected performances so that the Group can meet its plans and targets. The review of the staffs' performance, upgrading and promotion is conducted by Management Development Committee for the Managerial grade and above, whereas the performance, upgrading and promotion for Executive grade and below is performed by Executive Development Committee which sits regularly during the year under review.

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

REVIEW BY EXTERNAL AUDITORS

The external auditors, Messrs Ernst & Young, have reviewed this Statement on Internal Control for inclusion in the Annual Report for the financial year ended 31 March 2011, in compliance with Paragraph 15.23 of the Listing Requirements, and reported to the Board that nothing has come to their attention to cause them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

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

This statement is made in accordance with the resolution of the Board of Directors dated 5 July 2011.

Board Audit Committee Report

The Board Audit Committee (BAC) was established by the Board on 21 June 2010 with the function of assisting the Board in ensuring that there are effective risk monitoring and compliance procedures to provide the level of assurance required by the Board. During the financial year, the BAC carried out its duties and responsibilities in accordance with its terms of reference.

COMPOSITION AND MEETINGS

The BAC consists of four (4) independent and one (1) non-independent Directors. Datuk Khoo Eng Choo is a member of the Malaysian Institute of Accountants (MIA) which meets the requirement of paragraph 15.09(1)(c) of the Listing Requirements where at least one (1) member of the BAC to be a qualified accountant.

During the financial year, three (3) BAC meetings were held since its establishment on 21 June 2010. The BAC members and their details of attendance at the BAC meetings are as follows:-

Members	No. of meetings attended	Percentage
Dato' Halipah binti Esa (Chairman)	3 out of 3	100.0
Datuk Khoo Eng Choo	3 out of 3	100.0
Heng Heyok Chiang @ Heng Hock Cheng	2 out of 3	66.7
Yong Nyan Choi @ Yong Guan Choi (appointed on 14 January 2011)	1 out of 1	100.0
Bernard Rene Francois di Tullio (appointed on 14 January 2011)	1 out of 1	100.0

TERMS OF REFERENCE

Composition

The Committee shall be appointed by the Board from among its Directors and shall consist of not less than three (3) members with the majority being independent Directors. At least one (1) member of the Committee must be a member of the MIA or have at least three (3) years working experience and have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967 or be a member of one of the associations of accountants specified by Part II of the 1st Schedule of the Accountants Act 1967.

No alternate Director can be appointed as a member of the Committee. The members of the Committee shall elect a Chairman from among the members who shall be an independent non-executive Director.

Meetings

Meetings shall be held not less than four (4) times a year. The quorum shall be two (2) members. The external auditors may request a meeting of the Committee if they consider it necessary.

At least twice a year, the Committee shall sit with the external auditors without any executive Board Member present. As the internal audit function is sourced from the Group Internal Audit of MISC Berhad (GIA), the General Manager, GIA shall be the Secretary of the Committee. The Managing Director & Chief Executive Officer, the Chief Financial Officer and representative of the external auditors shall normally attend the meetings of the Committee.

At the conclusion of each meeting, recommendations are made for the Management to improve the internal controls, procedures and systems of the Group, wherever applicable.

Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

The Committee is also authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Duties and Responsibilities

The duties of the Committee shall include the following and other duties as may be determined by the Board from time to time:-

(a) Review, appraise, report and make appropriate recommendations to the Board of Directors on:-
   i. the audit plan, evaluation of the system of internal controls and the internal audit report with the internal and external auditors;
   ii. the assistance and co-operation given by the employees of the Corporation to the external auditors;
   iii. the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
   iv. the internal audit programme, processes, the results of the internal audits, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit functions;
   v. the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
      - changes in or implementation of major accounting policy changes;
      - significant and unusual events; and
      - compliance with accounting standards and other legal requirements;
   vi. any related party transaction and conflict of interest situation that may arise within the Corporation or Group including any transaction, procedure or course of conduct that raise questions of management integrity;
   vii. the quality and effectiveness of the entire accounting and internal control system of the Group;
   viii. the accounting policies adopted by Management and accepted by the external auditors, where alternatives are also acceptable;
   ix. the effects of any change in accounting principles or of any development emanating from the accounting profession or any statutory authority;
   x. the adequacy of the disclosure of information essential for a fair and full presentation of the financial affairs of the Group;
   xi. any significant difficulties encountered or material discoveries and findings made by the internal or external auditors; and
   xii. the firm of external auditors retained by the Group and the fees payable to the external auditors and any change in their fees, and recommendation, if any, to retain or replace such firm in the ensuing year.

SUMMARY OF ACTIVITIES

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

(a) Financial Reporting
   i. Reviewed the quarterly financial statements and the necessary announcements relating to the Group's financial results to Bursa Malaysia before recommending them for approval by the Board.
   ii. Reviewed the annual audited financial statements before recommending them for approval by the Board.

Board Audit Committee Report

(b) Internal Audit

i. Approved the establishment of a dedicated internal audit function for the Company, which is fully sourced from GIA and is independent of the activities it audits.
ii. Reviewed the GIA's framework and methodology in executing the internal audit function.
iii. Approved the establishment of the Internal Audit Charter and Charter Memorandum for the Group which defines the terms of reference of the internal audit function in discharging its roles and responsibilities.
iv. Reviewed the long term and annual internal audit strategy and plan to ensure adequate scope and comprehensive coverage over the activities of the Group.
v. Reviewed the effectiveness of audit process, resource requirements for the year and assessed the performance of the GIA.
vi. Review the internal audit reports issued by GIA on the effectiveness and adequacy of governance, risk management, operational and compliance processes.
vii. Prior to the Committee meetings, the Chairman held private sessions and discussions with Head and Senior Staff of GIA on audit reports and any internal audit related matters.
viii. Reviewed the adequacy and effectiveness of agreed corrective actions taken by the Management on all significant and secondary audit issues raised.

(c) External Audit

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

(d) Others

i. Reviewed the related party transactions entered into by the Group on a quarterly basis.
ii. Reviewed the limits of authority manual for the Company before recommending them for approval by the Board.

INTERNAL AUDIT FUNCTIONS AND ACTIVITIES

In the discharge of its duties, the BAC is strongly supported by GIA. GIA functionally reports directly to the Committee, conducts independent scheduled audits to ensure there are effective risk monitoring, internal controls, governance process and compliance procedures to provide the level of assurance required by the Board.

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

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

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

During the financial year, the internal auditors had carried out audits according to the internal audit plan approved by the BAC.

This statement is made in accordance with the resolution of the Board of Directors dated 5 July 2011.

Directors' Responsibility Statement

On preparation of Annual Audited Financial Statements

The directors are responsible to prepare annual audited financial statements of the Group and of the Company in accordance with the provisions of the Companies Act, 1965 and the requirement of the applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board.

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

In preparing the annual audited financial statements of the Group and of the Company for the financial year ended 31 March 2011, the directors have ensured that, the appropriate and relevant accounting policies were adopted and consistently applied, reasonable and prudent estimates were exercised and an on-going concern basis was adopted.

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

This statement is made in accordance with the resolution of the Board of Directors dated 5 July 2011.

Investor Relations Report

MHB's communication in reaching out to the investment community started well before the Company was publicly listed on the Main Market of Bursa Malaysia Securities Berhad. The senior management of MHB, led by the MD & CEO, met and made presentations to fund managers and analysts from more than 110 firms in 40 meetings in Malaysia and abroad.

The Company has also appointed an Investor Relations Manager to enhance MHB's communication and dialogue with the investment community and our shareholders. This facilitates MHB's IR Programme in ensuring a regular, fair, effective and timely communication with our stakeholders. The programme would also be reviewed regularly to enhance its relevance and implementation effectiveness. The Company strives to ensure that members of the investment community would have an understanding of the Group's operations, financial performance and broad corporate strategies to make informed investment decisions.

In MHB's first year of listing, some of the IR programme highlights and initiatives are as follows:

- Timely disclosure of information on quarterly results, corporate developments and all material announcements as required under Bursa Malaysia's Listing Requirements
- MHB maintains a dedicated IR section at the corporate portal. Quarterly IR Reports were uploaded on MHB's corporate portal, http://www.mhb.com.my/, on the same day when quarterly results were announced so that all stakeholders can have simultaneous and instantaneous access to the information
- Analyst briefing was conducted during the final quarter of the financial period by MD & CEO and CFO to provide a comprehensive review of MHB's financial performance, operations as well as strategies going forward. Presentation slides shown during the analyst briefing were uploaded on MHB's corporate portal on the same day
- The analyst briefing conducted also included a section on FPSO (Floating Production Storage and Offloading), which was aimed at providing more insights on MHB's products and services to the investment community
- MHB participated and presented at Invest Malaysia 2011 in Kuala Lumpur. The conference was organised by Maybank Investment Bank and MHB was invited and given the privilege to update especially domestically-based as well as regional fund managers that attended the event
- A tour to the Pasir Gudang Yard in Johor Baru was organised in conjunction with Invest Malaysia 2011 to provide members of the investment community a better understanding and appreciation of MHB's operations and structures that are currently being fabricated and constructed at the Yard
- Research reports written by analysts are compiled regularly. Feedback was provided to senior management of MHB on the investment community's views of the Company, which was used to manage market expectations as well as an input for relevant management's decision-making process
- The IR team conducted regular one-on-one meetings with analysts, fund managers and shareholders. Enquiries were also attended to on a timely manner

MHB was recognized as the "Best Initial Public Offering" of 2010 by *TheEdge Malaysia*. The allocation for institutional investors received a subscription of 27.7 times while the retail offering attracted one of the largest ever subscription value for a Malaysian IPO. MHB's IPO was also the first Malaysian IPO with an international strategic investor, Technip of France, where the world leader in engineering, technologies and project management for the oil and gas industry acquired an 8% in MHB. MHB's share price closed at its debut with a premium of 18.7% over the RM3.80 per share for institutional investors and 24.9% above the RM3.60 per share for retail investors.

MHB added another accolade when it received the "Best Investor Relations for an IPO" award from the Malaysian Investor Relations Association (MIRA) in May 2011. The award recognises the efforts and initiatives undertaken by listed companies to ensure a constant and high level of engagement and information disclosure to investors. The IR awards survey was undertaken by Thomson Reuters Extel Surveys where over 700 buy-side and sell-side professionals globally were invited to participate in the survey.

In June 2011, MHB was included in both the Morgan Stanley Capital International (MSCI) Malaysia Index and FTSE Bursa Malaysia KLCI Index. These indices are widely used as benchmarks by domestic and international institutional investors to measure the equity market's performance.

For the coming financial period, one of the key IR initiatives would be to increase participation at investor conferences or regional roadshows to update especially our foreign-based shareholders and meet potential investors. Our foreign-based shareholders have increased significantly from approximately 3% during the IPO to 8.7% as at 30 June 2011.

The following Management Personnel are responsible for IR activities:
- Managing Director & Chief Executive Officer
- Chief Financial Officer
- Investor Relations & Business Research

Additional Compliance Information

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

1. Status of Utilisation of Proceeds

As at 14 July 2011, the status of utilisation of proceeds raised from the following corporate exercise is as follows:

Purpose	Proposed Utilisation RM '000	Actual Utilisation RM '000	Intended Timeframe for Utilisation	Deviation Amount RM '000	Deviation %
Yard Optimisation Programme	833,780	-	Within 24 months upon listing	-	-
Capital Expenditure in Turkmenistan	110,000	-	Within 18 months upon listing	-	-
Listing Expenses	37,000	31,517	Within 3 months upon listing	5,483	14.8
Total	980,780	31,517		5,483	14.8

The actual utilisation amount for the listing expenses was lower than the budgeted amount. Hence, the balance unutilised amount of RM5,483,000 will be utilised for the Yard Optimisation Programme as per disclosure in the Company's Prospectus dated 6 October 2010.

2. Sanctions and/or Penalties

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

3. Share Buy-backs

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

4. Options, Warrants or Convertible Securities

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

5. Depository Receipt Programme

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

6. Profit Estimate, Forecast or Projection

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

7. Profit Guarantee

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

Our success is driven by human ingenuity coupled with precision technology

FINANCIAL STATEMENTS

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and jointly controlled entities are described in Note 14 and Note 15 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

CHANGE OF NAME

On 14 June 2010, the Company became a public liability company and changed its name from MSE Holdings Sdn Bhd to MSE Holdings Berhad. On 15 June 2010, the Company changed its name from MSE Holdings Berhad to Malaysia Marine and Heavy Engineering Holdings Berhad. The Company was admitted to the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 29 October 2010.

RESULTS

The results of the Group and of the Company for the financial year ended 31 March 2011 are as follows:

	Group RM'000	Company RM'000
Profit for the year, representing total comprehensive income for the year	450,476	1,040,683
Profit attributable to:		
Equity holders of the Company	450,748	1,040,683
Minority interests	(272)	-
	450,476	1,040,683

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

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

DIVIDENDS

The amounts of dividends paid by the Company since 31 March 2010 were as follows:

	RM'000
In respect of the financial year ended 31 March 2011:	
Interim dividend of 18 sen gross per share less 25% taxation on 16,220,000 ordinary shares of RM1.00 each, paid on 23 September 2010	2,233
Interim single-tier dividend of RM18.35 per share on 16,220,000 ordinary shares of RM1.00 each, paid on 23 September 2010	297,767
	300,000

DIVIDENDS (cont'd)

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 March 2011 of 5% on 1,600,000,000 ordinary shares, amounting to a dividend payable of RM80 million (5 sen per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2011.

DIRECTORS

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

Dato' Halipah binti Esa	
Yee Yang Chien	
Datuk Nasarudin bin Md Idris	(appointed on 15 June 2010)
Captain Rajalingam Subramaniam	(appointed on 15 June 2010)
Heng Heyok Chiang @ Heng Hock Cheng	(appointed on 15 June 2010)
Datuk Khoo Eng Choo	(appointed on 15 June 2010)
Bernard Rene Francois di Tullio	(appointed on 22 November 2010)
Yong Nyan Choi @ Yong Guan Choi	(appointed on 14 January 2011)
Dominique Marie Bruno Francois Veyre de Soras	(appointed on 1 February 2011)
Amir Hamzah bin Azizan	(resigned on 15 June 2010)
Nordin bin Mat Yusoff	(resigned on 16 June 2010)
Iwan Azlan bin Mokhtar	(resigned on 16 June 2010)
Azhar bin Noordin	(resigned on 16 June 2010)
Wan Yusoff bin Wan Hamat	(resigned on 1 February 2011)

DIRECTORS' BENEFITS

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

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

(a) benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 6 and Note 7 to the financial statements; or
(b) benefits included in the aggregate amount of emoluments received or due and receivable by the directors of related companies; or
(c) the fixed salary of a full-time employee of related companies.

Directors' Report

DIRECTORS' INTERESTS

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

	1 April 2010/ Date of appointment	Acquired	Sold	31 March 2011
Direct interest:				
Ordinary shares of RM0.50 each				
The Company				
Datuk Nasarudin bin Md Idris	-	10,000	-	10,000
Datuk Khoo Eng Choo	-	10,000	-	10,000
Dominique Marie Bruno Francois Veyre de Soras	-	10,000	-	10,000
Heng Heyok Chiang @ Heng Hock Cheng	-	10,000	-	10,000
Yee Yang Chien	-	10,000	10,000	-
Captain Rajalingam Subramaniam	-	10,000	-	10,000
Dato' Halipah binti Esa	-	10,000	-	10,000
Ordinary shares of RM1.00 each				
KLCC Property Holdings Berhad				
Datuk Nasarudin bin Md Idris	5,000	-	-	5,000
Heng Heyok Chiang @ Heng Hock Cheng	40,000	-	-	40,000
Ordinary shares of RM0.10 each				
PETRONAS Chemicals Group Berhad				
Datuk Nasarudin bin Md Idris	-	10,000	-	10,000
Dato' Halipah binti Esa	-	10,000	-	10,000
Datuk Khoo Eng Choo	-	30,000	-	30,000
PETRONAS Gas Berhad				
Datuk Nasarudin bin Md Idris	3,000	-	-	3,000
Deemed interest:				
Ordinary shares of RM0.50 each				
The Company				
Dato' Halipah binti Esa	-	10,000	-	10,000
Ordinary shares of RM0.10 each				
PETRONAS Chemicals Group Berhad				
Dato' Halipah binti Esa	-	13,100	-	13,100

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

ISSUE OF SHARES

During the financial year, the Company implemented a corporate exercise as part of its initial public offering which involved the following transactions:

(a) Increase in authorised share capital from RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each to RM2,500,000,000 comprising 5,000,000,000 ordinary shares of RM0.50 each.
(b) Increase its paid-up ordinary share capital by way of:
    - share split which involved the subdivision of every one (1) ordinary share of RM1.00 each to two (2) ordinary shares of RM0.50 each. Following the share split, the issued and paid up capital of 16,220,000 ordinary shares of RM1.00 each was split to 32,440,000 ordinary shares of RM0.50 each.
    - bonus issue of 1,305,560,000 ordinary shares on the basis of about 40.245 bonus shares for every one (1) ordinary share by way of capitalising RM652,780,000 of the Company's retained earnings.
    - issuance of additional 262,000,000 ordinary shares of RM0.50 each for a total cash consideration of RM980,780,000 via initial public offering in Bursa Malaysia at issue price ranging from RM3.61 to RM3.80 per share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company. The Company's issued and paid-up ordinary shares at the end of the financial year was RM800,000,000 comprising 1,600,000,000 ordinary shares of RM0.50 each.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
    (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
    (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:
    (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
    (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

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

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

(e) As at the date of this report, there does not exist:
    (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
    (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

Directors' Report

OTHER STATUTORY INFORMATION (cont'd)

(f) In the opinion of the directors:

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

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

SIGNIFICANT EVENTS

Details of the significant events are disclosed in Note 32 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 6 May 2011.

Datuk Nasarudin bin Md Idris

Dominique Marie Bruno Francois Veyre de Soras

Statement by Directors

Pursuant to section 169(15) of the Companies Act, 1965

We, Datuk Nasarudin bin Md Idris and Dominique Marie Bruno Francois Veyre de Soras, being two of the directors of Malaysia Marine and Heavy Engineering Holdings Berhad (formerly known as MSE Holdings Sdn Bhd), do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 90 to 144 are drawn up in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2011 and of their financial performance and the cash flows for the year then ended.

The information set out in Note 33 on page 145 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 6 May 2011.

Datuk Nasarudin bin Md Idris

Dominique Marie Bruno Francois Veyre de Soras

Statutory Declaration

Pursuant to section 169(16) of the Companies Act, 1965

I, Wan Mashitah binti Wan Abdullah Sani, being the officer primarily responsible for the financial management of Malaysia Marine and Heavy Engineering Holdings Berhad (formerly known as MSE Holdings Sdn Bhd), do solemnly and sincerely declare that the accompanying financial statements set out on pages 90 to 145 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Wan Mashitah binti Wan
Abdullah Sani at Kuala Lumpur in the
Federal Territory on 6 May 2011

Wan Mashitah binti Wan Abdullah Sani

Before me,

Independent Auditors' Report

to the members of Malaysia Marine and Heavy Engineering Holdings Berhad
(formerly known as MSE Holdings Sdn Bhd)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Malaysia Marine and Heavy Engineering Holdings Berhad (formerly known as MSE Holdings Sdn Bhd), which comprise the statements of financial position as at 31 March 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flow of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 90 to 144.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2011 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

OTHER MATTERS

The supplementary information set out in Note 33 on page 145 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

Ernst & Young
AF: 0039
Chartered Accountants

Ismed Darwis bin Bahatiar
No. 2921/04/12(J)
Chartered Accountant

Kuala Lumpur, Malaysia
6 May 2011

Statements of Comprehensive Income

For the financial year ended 31 March 2011

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Revenue	3	4,435,420	6,147,012	1,110,375	-
Cost of sales		(3,866,590)	(5,550,584)	-	-
Gross profit		568,830	596,428	1,110,375	-
Other operating income	4	56,752	19,880	13,753	41
Selling and distribution expenses		(1,035)	(1,435)	(102)	-
Administrative expenses		(147,708)	(150,084)	(4,843)	(8)
Other operating expenses		(77,289)	(84,130)	(4)	-
Operating profit	5	399,550	380,659	1,119,179	33
Finance costs	8	(769)	(3,452)	-	-
Share of profit/(loss) of jointly controlled entities	15	25,245	(1)	-	-
Profit before taxation		424,026	377,206	1,119,179	33
Taxation	9	26,450	(93,091)	(78,496)	(19)
Profit for the year, representing total comprehensive income for the year		450,476	284,115	1,040,683	14
Profit attributable to:					
Equity holders of the Company		450,748	279,203	1,040,683	14
Minority interests		(272)	4,912	-	-
		450,476	284,115	1,040,683	14
Earnings per share attributable to equity holders of the Company (sen per share)					
Basic	10	31.13	20.87		

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

Statements of Financial Position

As at 31 March 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	1,030,256	928,851	-	-
Prepaid land lease payments	13	67,114	69,173	-	-
Investment in subsidiaries	14	-	-	664,132	8,932
Investment in jointly controlled entities	15	35,019	179	-	-
Other investment	16	15	15	-	-
Deferred tax assets	17	9,686	253	-	-
		1,142,090	998,471	664,132	8,932
Current assets					
Inventories, at cost		30,632	38,523	-	-
Trade and other receivables	18	2,303,957	2,979,341	92,038	7,842
Tax recoverable		2,453	1,893	-	17
Cash and bank balances	20	1,448,122	765,899	955,969	50
		3,785,164	3,785,656	1,048,007	7,909
TOTAL ASSETS		4,927,254	4,784,127	1,712,139	16,841
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	21	800,000	16,220	800,000	16,220
Share premium	21	818,263	-	818,263	-
Retained earnings/(accumulated losses)		680,127	1,182,159	87,695	(208)
		2,298,390	1,198,379	1,705,958	16,012
Minority interests		3,302	14,785	-	-
TOTAL EQUITY		2,301,692	1,213,164	1,705,958	16,012

Statements of Financial Position

As at 31 March 2011 (cont'd)

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Non-current liabilities					
Deferred income	22	991	2,326	-	-
Borrowings	23	-	302,631	-	-
Deferred tax liabilities	17	-	25,693	-	-
		991	330,650	-	-
Current liabilities					
Trade and other payables	24	2,534,942	3,138,198	5,478	829
Provisions	25	61,327	50,399	-	-
Borrowings	23	-	2,900	-	-
Income tax payable		28,302	48,816	703	-
		2,624,571	3,240,313	6,181	829
TOTAL LIABILITIES		2,625,562	3,570,963	6,181	829
TOTAL EQUITY AND LIABILITIES		4,927,254	4,784,127	1,712,139	16,841

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 March 2011

	<- Attributable to equity holders of the Company ->					
	Share capital (Note 21) RM'000	Share premium (Note 21) RM'000	Distributable retained earnings RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
At 1 April 2009	16,220	-	902,956	919,176	9,873	929,049
Total comprehensive income	-	-	279,203	279,203	4,912	284,115
At 31 March 2010	16,220	-	1,182,159	1,198,379	14,785	1,213,164
At 1 April 2010	16,220	-	1,182,159	1,198,379	14,785	1,213,164
Total comprehensive income	-	-	450,748	450,748	(272)	450,476
Transaction with equity holders of the Company						
Disposal of interest in a subsidiary	-	-	-	-	(11,211)	(11,211)
Dividends on ordinary shares (Note 11)	-	-	(300,000)	(300,000)	-	(300,000)
Issuance of bonus issue (Note 21(a))	652,780	-	(652,780)	-	-	-
Issuance of ordinary shares (Note 21)	131,000	849,780	-	980,780	-	980,780
Share issuance expenses (Note 21(b))	-	(31,517)	-	(31,517)	-	(31,517)
Total transactions with equity holders of the Company	783,780	818,263	(952,780)	649,263	(11,211)	638,052
At 31 March 2011	800,000	818,263	680,127	2,298,390	3,302	2,301,692

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

Statement of Changes in Equity

For the financial year ended 31 March 2011

	Share capital (Note 21) RM'000	Share premium (Note 21) RM'000	Distributable retained earnings/ (accumulated losses) RM'000	Total equity RM'000
At 1 April 2009	16,220	-	(222)	15,998
Total comprehensive income	-	-	14	14
At 31 March 2010	16,220	-	(208)	16,012
At 1 April 2010	16,220	-	(208)	16,012
Total comprehensive income	-	-	1,040,683	1,040,683
Transaction with equity holders of the Company				
Dividends on ordinary shares (Note 11)	-	-	(300,000)	(300,000)
Issuance of bonus issue (Note 21(a))	652,780	-	(652,780)	-
Issuance of ordinary shares (Note 21)	131,000	849,780	-	980,780
Share issuance expenses (Note 21(b))	-	(31,517)	-	(31,517)
Total transaction with equity holders of the Company	783,780	818,263	(952,780)	649,263
At 31 March 2011	800,000	818,263	87,695	1,705,958

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

Consolidated Statement of Cash Flow

For the financial year ended 31 March 2011

	Group	
	2011 RM'000	2010 RM'000
Cash flows from operating activities		
Profit before taxation	424,026	377,206
Adjustments for:		
Property, plant and equipment		
- depreciation	34,901	24,864
- write-off	315	373
- impairment loss	-	280
Amortisation of prepaid land lease payments	2,059	2,059
Interest expense	769	3,452
Reversal of provision for warranty	(445)	(11,690)
Provision for liquidated ascertained damages	11,553	-
Gain on dilution of interest in a subsidiary	(419)	-
Impairment loss/(reversal of impairment) of trade receivables	874	(4,393)
Interest income	(36,899)	(9,754)
Net unrealised foreign exchange loss	6,039	16,604
Inventories written off	5,097	612
Share of (profit)/loss of jointly controlled entities	(25,245)	1
Operating profit before working capital changes	422,625	399,614
Inventories	2,794	7,714
Trade and other receivables	268,128	(873,440)
Trade and other payables	(710,890)	1,771,544
Cash (used in)/generated from operations	(17,343)	1,305,432
Interest paid	(3,466)	(1,836)
Tax paid	(28,528)	(60,292)
Net cash (used in)/generated from operating activities	(49,337)	1,243,304

Consolidated Statement of Cash Flow

For the financial year ended 31 March 2011 (cont'd)

	Group	
	2011 RM'000	2010 RM'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(143,160)	(269,124)
Net cash inflow on the dilution of interest in a subsidiary (Note 14(b))	3,924	-
Interest received	22,833	9,082
Dividend income from investment in jointly controlled entities	1,600	-
Net cash used in investing activities	(114,803)	(260,042)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares (Note 21(a)(ii))	980,780	-
Share issuance expenses (Note 21(b))	(31,517)	-
Dividends paid on ordinary shares	(300,000)	-
Drawdown of long term borrowings	-	302,631
Repayment from/(loan to) immediate holding company	500,000	(500,000)
Net repayment of borrowings	(302,900)	(254,675)
Net cash generated/(used in) from financing activities	846,363	(452,044)
Net change in cash and cash equivalents	682,223	531,218
Cash and cash equivalents at beginning of year	765,899	234,681
Cash and cash equivalents at end of year (Note 20)	1,448,122	765,899

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

Statement of Cash Flow

For the financial year ended 31 March 2011

	Company	
	2011 RM'000	2010 RM'000
Cash flows from operating activities		
Profit before taxation	1,119,179	33
Adjustments for:		
Interest income	(13,553)	(41)
Dividend income from investment in subsidiaries	(1,110,375)	-
Operating loss before working capital changes	(4,749)	(8)
Trade and other receivables	7,586	(11)
Trade and other payables	4,649	(4)
Cash generated from/(used in) operations	7,486	(23)
Interest received	1,570	52
Tax paid	(2,400)	(8)
Net cash generated from operating activities	6,656	21
Cash flows from investing activities		
Dividend income received	300,000	-
Net cash generated from investing activities	300,000	-
Cash flows from financing activities		
Proceeds from issuance of ordinary shares (Note 21(a)(ii))	980,780	-
Share issuance expenses (Note 21(b))	(31,517)	-
Dividend paid (Note 11)	(300,000)	-
Net cash generated from financing activities	649,263	-
Net change in cash and cash equivalents	955,919	21
Cash and cash equivalents at beginning of year	50	29
Cash and cash equivalents at end of year (Note 20)	955,969	50

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

Notes to the Financial Statements

31 March 2011

1. CORPORATE INFORMATION

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

The principal place of business is located at Pasir Gudang Industrial Estate, 81707 Pasir Gudang, Johor.

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

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are oil and gas engineering and construction works, marine conversion and repair, sludge disposal management and provision of repair services and dry docking of liquefied natural gas carriers.

On 14 June 2010, the Company became a public liability company and changed its name from MSE Holdings Sdn Bhd to MSE Holdings Berhad. On 15 June 2010, the Company changed its name from MSE Holdings Berhad to Malaysia Marine and Heavy Engineering Holdings Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 6 May 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.3.

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

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

2.2 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

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

(ii) Basis of consolidation (cont'd)

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains and losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Jointly controlled entities

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

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

In applying the equity method, unrealised gains and losses on transactions between the Group and the jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the jointly controlled entities. The jointly controlled entities are equity accounted for from the date the Group obtains joint control until the date the Group ceases to have joint control over the jointly controlled entities.

Notes to the Financial Statements

31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(b) Jointly controlled entities (cont'd)

Goodwill relating to a jointly controlled entity is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the jointly controlled entities' identifiable assets, liabilities and contingent liabilities over the cost of the investments is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the jointly controlled entities' profit or loss in the period in which the investments are acquired.

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

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

On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(c) Property, plant and equipment, and depreciation

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

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

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

Boats	6.7% - 25%
Buildings, drydocks and waste plant	2% - 10%
Plant, machinery and electrical installations	4% - 20%
Vehicles and transport equipment	10% - 20%
Furniture and office equipment	5% - 20%

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(d) Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of physical completion of contract.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

(e) Impairment of non-financial assets

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

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

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

Notes to the Financial Statements

31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(f) Inventories

Inventories are held for own consumption and are stated at lower of cost and net realisable value.

Cost is arrived at on the weighted average basis. The cost of raw materials and consumables comprises costs of purchase.

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

(g) Financial assets

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

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

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

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

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition.

Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term. The Group and the Company do not have any held for trading financial assets. The Group and the Company have not designated any financial assets at fair value through profit or loss.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(g) Financial assets (cont'd)

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity financial assets

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group and the Company have the positive intention and ability to hold the financial assets to maturity. The Group and the Company do not have any held-to-maturity financial assets.

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

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

(iv) Available-for-sale financial assets

Available-for-sale financial assets are those financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. The Group and the Company do not have available-for-sale financial assets.

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

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

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

Notes to the Financial Statements

31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(g) Financial assets (cont'd)

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

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

(h) Financial liabilities

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

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

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

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

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

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

(ii) Other financial liabilities

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

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

Borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(h) Financial liabilities (cont'd)

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

(i) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(j) Offsetting of financial instruments

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

(k) Impairment of financial assets

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

(i) Trade and other receivables and other financial assets carried at amortised cost

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

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

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

Notes to the Financial Statements

31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(k) Impairment of financial assets (cont'd)

(i) Trade and other receivables and other financial assets carried at amortised cost (cont'd)

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

(ii) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(l) Deferred income

Income from rendering of sludge cleaning services is deferred for untreated sludge.

Deferred income, which is recorded as sludge collection fees receivable net of direct expenses, will be recognised to profit or loss, upon completion of the treatment or disposal process.

(m) Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) Income tax

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

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and 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 taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(n) Income tax (cont'd)

Deferred tax is 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 tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised as an income or an expense and is included in the profit and loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(o) Provisions

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

(p) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

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

(q) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

Notes to the Financial Statements

31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(q) Foreign currencies (cont'd)

(ii) Foreign currency transactions (cont'd)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

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

(r) Revenue recognition

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

(i) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.2(d).

(ii) Revenue from sludge cleaning management

Revenue from sludge management is recognised when the treatment or disposal process of sludge is completed.

(iii) Interest income

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

(iv) Rental income

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

(s) Leases

(i) Classification

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

(ii) Operating leases - the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

In the case of a lease of land, the minimum lease payments or the up-front payments made represent prepaid lease payments and are amortised on a straight-line basis over the lease term.

(t) Equity investments

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRS

(i) FRS adopted by the Group and the Company

On 1 April 2010, the Group and the Company adopted the following new and amended FRS and Issues Committee ("IC") Interpretation mandatory for annual financial periods beginning on or after 1 July 2009 and 1 January 2010:

Description	Effective for annual periods beginning on or after
FRS 8: Operating Segments	1 July 2009
FRS 101: Presentation of Financial Statements (Revised)	1 January 2010
Amendments to FRS 127: Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 2: Share-based Payment - Vesting Conditions and Cancellation	1 January 2010
Amendments to FRS 7: Financial Instruments - Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
Amendments to FRSs 'Improvements to FRSs (2009)'	1 January 2010
IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13: Customer Loyalty Programmes	1 January 2010
IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010

FRS 4: Insurance Contracts and Technical Release-*i*-3: Presentation of Financial Statements of Islamic Financial Institutions will also be effective for annual financial period beginning on or after 1 January 2010. These FRS are, however, not applicable to the Group.

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

(a) FRS 8: Operating Segments

FRS 8, which replaces FRS 114_{2004}: Segment Reporting, specifies how entity should report its operating segments, based on information about the components of the entity available to the chief operating decision maker for the purpose of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114_{2004}. The Group has adopted FRS 8 retrospectively. These revised disclosures, including the related revised comparative information, are shown in Note 31.

Notes to the Financial Statements

31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRS (cont'd)

(i) FRS adopted by the Group and the Company (cont'd)

(b) FRS 101: Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

(c) FRS 117: Leases

FRS 117: Leases clarifies on the classification of leases of land and buildings. For those land element held under operating leases that are required to be reclassified as finance leases, the Group shall recognise a corresponding asset and liability in the financial statements which will be applied retrospectively upon initial application. However, in accordance with transitional provision, the Group is permitted to reassess lease classification on the basis of the facts and circumstances existing on the date it adopts the amendments, and recognise the asset and liability related to a land lease newly classified as a finance lease at their fair values on that date, any difference between those fair values is recognised in retained earnings. The Group has assessed and did not expect any impact from adoption of this standard.

(ii) Standards and Interpretations issued but not yet effective and have not been early adopted by the Group and the Company

At the date of authorisation of these financial statements, the following new and revised FRS, Amendments to FRS and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

Description	Effective for annual periods beginning on or after
FRS 1: First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3: Business Combinations (revised)	1 July 2010
FRS 127: Consolidated and Separate Financial Statements (amended)	1 July 2010
Amendments to FRS 2: Share-based Payment	1 July 2010
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 138: Intangible Assets	1 July 2010
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 12: Service Concession Arrangements	1 July 2010
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17: Distributions of Non-cash Assets to Owners	1 July 2010

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRS (cont'd)

(ii) Standards and Interpretations issued but not yet effective and have not been early adopted by the Group and the Company (cont'd)

Description	Effective for annual periods beginning on or after
FRS 1: Limited Exemption from Comparatives FRS 7 Disclosures for First Time Adopters (Amendment to FRS 1)	1 January 2011
FRS 1: Additional Exemptions for First-time Adopters (Amendments to FRS 1)	1 January 2011
FRS 2: Group Cash-settled Share-based Payment Transactions (Amendments to FRS 2)	1 January 2011
FRS 7: Improving Disclosure about Financial Instruments (Amendments to FRS 7)	1 January 2011
Amendments to FRS 1: First-time Adoption of Financial Reporting Standards	1 January 2011
Amendments to FRS 3: Business Combinations	1 January 2011
Amendments to FRS 7: Financial Instruments - Disclosures	1 January 2011
Amendments to FRSs 'Improvements to FRSs (2010)'	1 January 2011
IC Interpretation 4: Determining Whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18: Transfer of Assets from Customers	1 January 2011
IC Interpretation 14: Prepayments of a Minimum Funding Requirement (Amendments to IC Interpretation 14)	1 July 2011
IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
FRS 124: Related Party Disclosures	1 January 2012
IC Interpretation 15: Agreements for the Construction of Real Estate	1 January 2012
Amendments to IC Interpretation 15: Agreement for the Construction of Real Estate	1 January 2012

The Group and the Company plan to adopt the above pronouncement when they become effective in the respective period or earlier if deemed necessary. These pronouncement are expected to have no significant impact on the financial statements of the Group and the Company upon initial application except for the following:

FRS 3: Business Combinations (revised) and FRS 127: Consolidated and Separate Financial Statements (amended)

FRS 3 (revised) introduces a number of changes to the accounting for business combinations occurring on or after 1 July 2010. These include changes that affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

FRS 127 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) to be accounted for as a transaction with owners in their capacity as owners and to be recorded in equity. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by a subsidiary as well as loss of control of a subsidiary.

The changes by FRS 3 (revised) and FRS 127 (amended) will be applied prospectively and only affect future acquisition or loss of control of subsidiaries and transactions with non-controlling interests.

Notes to the Financial Statements

31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Significant accounting estimates and judgements

There were no critical judgements made by management in the process of applying accounting policies that have the most significant effect on the amount recognised in the financial statements during the current financial year.

The preparation of the Group's financial statements requires management to make judgement, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be within 4 to 50 years. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The information on depreciation of property, plant and equipment is as disclosed in Note 12.

(ii) Construction contracts

The Group recognises revenue and expenses from construction contracts in the income statement by using the stage of completion method. The stage of completion is measured by reference to the proportion of physical completion of the contract work.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the construction contract. In making the judgement, the Group's evaluation is based on past experience and by relying on the work of specialists.

The information on construction contracts is as disclosed in Note 19.

(iii) Allowance for doubtful accounts

The allowance for doubtful accounts is based on the evaluation of the receivables on an individual basis and the amount of outstanding allowances. The customer's credit worthiness is evaluated by reviewing, among other matters, the historical collection experience and the value of collateral provided to the Group, if any.

The information on allowance for doubtful debts is as disclosed in Note 18.

(iv) Provision for warranty

The Group grants warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. Provision for warranty is made based on service histories to cover the estimated liability that may arise during the warranty period. Any surplus provision is written back at the end of the warranty period while additional provision is made as and when necessary.

The information on provision for warranty is as disclosed in Note 25.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Significant accounting estimates and judgements (cont'd)

(v) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and unabsorbed investment tax allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The information on deferred tax assets is as disclosed in Note 17.

3. REVENUE

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Engineering and construction	4,156,888	5,603,792	-	-
Marine conversion and repair	277,206	539,986	-	-
Others	1,326	3,234	-	-
Dividend income	-	-	1,110,375	-
	4,435,420	6,147,012	1,110,375	-

4. OTHER OPERATING INCOME

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Rental income	1,795	1,772	-	-
Interest income				
- deposits with licensed banks	34,835	9,206	13,553	-
- due from immediate holding company	2,064	548	-	-
- due from a subsidiary	-	-	-	41
Gain on dilution of interest in a subsidiary (Note 14(b))	419	-	-	-
Foreign exchange gains:				
- realised	8,894	-	-	-
- unrealised	-	1,085	-	-
Others	8,745	7,269	200	-
	56,752	19,880	13,753	41

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5. OPERATING PROFIT

The following amounts have been included in arriving at operating profit:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Auditors' remuneration: statutory audit	217	200	10	7
Employee benefits expense (Note 6)	128,325	141,412	3,494	-
Property, plant and equipment (Note 12):				
- depreciation	34,901	24,864	-	-
- write-off	315	373	-	-
- impairment loss	-	280	-	-
Amortisation of prepaid land lease payments (Note 13)	2,059	2,059	-	-
Hire of tugboat, pushers and barges	3,941	7,892	-	-
Rental of:				
- buildings	4,982	2,629	951	-
- vehicles	34	85	-	-
- office equipment	2,918	1,445	-	-
- equipment	55,159	68,106	-	-
Inventories written off	5,097	612	-	-
Foreign exchange losses:				
- realised	-	11,986	-	-
- unrealised	6,039	17,689	-	-
Impairment loss/(reversal of impairment):				
- trade receivables (Note 29(b)(ii)(b))	874	(4,393)	-	-
Reversal of provision for warranty (Note 25)	(445)	(11,690)	-	-
Provision for liquidated ascertained damages (Note 25)	11,553	-	-	-

6. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Wages and salaries	88,330	114,018	2,438	-
Social security costs	832	825	2	-
Contributions to a defined contribution plan	11,445	13,014	364	-
Other staff related expenses	27,718	13,555	690	-
	128,325	141,412	3,494	-

Included in employee benefits expense of the Group and the Company is directors' remuneration amounting to RM1,450,000 (2010: RM1,132,000) and RM1,215,000 (2010: RMNil) respectively.

7. DIRECTORS' REMUNERATION

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Executive directors' remuneration:				
Salaries and other emoluments	1,098	776	931	-
Fees	45	24	21	-
Bonus	76	95	76	-
Defined contribution plan	198	206	154	-
Total executive directors' remuneration (excluding benefits-in-kind)	1,417	1,101	1,182	-
Estimated money value of benefits-in-kind	33	31	33	-
Total executive directors' remuneration (including benefits-in-kind)	1,450	1,132	1,215	-
Non-executive directors' remuneration:				
Fees	525	143	413	-
Other emoluments	233	24	218	-
Total directors' remuneration	2,208	1,299	1,846	-

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

	Number of directors	
	2011	2010
Executive directors:		
RM300,001 - RM350,000	1	-
RM850,001 - RM900,000	1	-
	*2	-
Non-executive directors:		
RM1 - RM50,000	6	-
RM50,001 - RM100,000	5	-
RM100,001 - RM150,000	1	-
	*12	-
	14	-

* Included directors who resigned during the financial year.

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8. FINANCE COSTS

	Group	
	2011 RM'000	2010 RM'000
Interest expense on:		
Revolving credits	-	2,326
Term loans from:		
- immediate holding company	1,579	7,030
- financial institutions	62	179
	1,641	9,535
Less: Interest expense capitalised in qualifying assets:		
Construction-in-progress (Note 12)	(872)	(6,083)
	769	3,452

9. TAXATION

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current income tax:				
Malaysian income tax	8,950	70,755	78,496	19
Foreign tax	36,977	17,795	-	-
	45,927	88,550	78,496	19
Overprovision in prior years:				
Malaysian income tax	(29,622)	(16,701)	-	-
Foreign tax	(7,376)	-	-	-
	8,929	71,849	78,496	19
Deferred tax (Note 17):				
Relating to origination and reversal of temporary differences	(36,630)	4,833	-	-
Underprovision in prior years	1,251	16,409	-	-
	(35,379)	21,242	-	-
Total taxation	(26,450)	93,091	78,496	19

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

9. TAXATION (cont'd)

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

	Group	
	2011 RM'000	2010 RM'000
Profit before taxation	424,026	377,206
Taxation at Malaysian statutory tax rate of 25% (2010: 25%)	106,007	94,302
Effects of different tax rate in other countries	(9,244)	-
Income not subject to tax	(105)	(3,290)
Expenses not deductible for tax purposes	6,475	2,204
Utilisation of current year's investment tax allowances	(39,656)	-
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(184)	(20)
Deferred tax assets recognised on unutilised investment tax allowances	(47,685)	-
Deferred tax assets not recognised	-	187
Underprovision of deferred tax in prior years	1,251	16,409
Overprovision of Malaysian tax expense in prior years	(29,622)	(16,701)
Overprovision of foreign tax expense in prior years	(7,376)	-
Share of results of joint venture entities	(6,311)	-
Income tax expense for the year	(26,450)	93,091

	Company	
	2011 RM'000	2010 RM'000
Profit before taxation	1,119,179	33
Taxation at Malaysian statutory tax rate of 25% (2010: 25%)	279,795	8
Income not subject to tax	(202,195)	-
Expenses not deductible for tax purposes	896	11
Income tax expense for the year	78,496	19

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10. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year, as follows:

	Group	
	2011	2010 Restated
Profit attributable to equity holders of the Company (RM'000)	450,748	279,203
Weighted average number of ordinary shares in issue ('000)	1,447,825	1,338,000
Basic earnings per share (sen)	31.13	20.87

The comparative basic earnings per share has been restated to take into account of the effect of share split and bonus issue for the computation of the weighted average number of ordinary shares in issue in accordance with the requirement of FRS 133: Earnings Per Share.

The Group has no potential ordinary shares in issue as at balance sheet date and therefore, diluted earnings per share has not been presented.

11. DIVIDENDS

	Company	
	2011 RM'000	2010 RM'000
Dividend recognised in respect of financial year ended 31 March 2011:		
- Interim dividend of 18 sen gross per share less 25% taxation	2,233	-
- Interim single-tier dividend of RM18.35 per share	297,767	-
	300,000	-

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 March 2011 of 5% on 1,600,000,000 ordinary shares, amounting to a dividend payable of RM80 million (5 sen per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2011.

12. PROPERTY, PLANT AND EQUIPMENT

	At 1.4.2010 RM'000	Additions RM'000	Reclassification RM'000	Write-off RM'000	Dilution of interest in a subsidiary RM'000	At 31.3.2011 RM'000
Group - 31 March 2011						
At cost:						
Boats	511	-	-	-	-	511
Buildings, drydocks and waste plant	519,126	-	303,963	(34)	(343)	822,712
Plant, machinery and electrical installation	307,758	12,465	45,551	(969)	(1,110)	363,695
Vehicles and transport equipment	8,850	1,386	-	(218)	-	10,018
Furniture and office equipment	40,649	443	-	(37)	(126)	40,929
Loose tools	7,773	110	-	(15)	-	7,868
Construction-in-progress	477,305	128,756	(349,514)	-	(5,305)	251,242
	1,361,972	143,160	-	(1,273)	(6,884)	1,496,975

	At 1.4.2010 RM'000	Charge for the year RM'000	Write-off RM'000	Dilution of interest in a subsidiary RM'000	At 31.3.2011 RM'000	Net carrying amount at 31.3.2011 RM'000
Group - 31 March 2011						
Accumulated depreciation and impairment						
Boats	451	16	-	-	467	44
Buildings, drydocks and waste plant	180,947	17,454	(13)	(33)	198,355	624,357
Plant, machinery and electrical installations	201,126	15,486	(700)	(220)	215,692	148,003
Vehicles and transport equipment	7,221	477	(218)	-	7,480	2,538
Furniture and office equipment	36,084	1,322	(27)	(92)	37,287	3,642
Loose tools	7,292	146	-	-	7,438	430
Construction-in-progress	-	-	-	-	-	251,242
	433,121	34,901	(958)	(345)	466,719	1,030,256

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12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	At 1.4.2009 RM'000	Additions RM'000	Reclassification RM'000	Write-off RM'000	At 31.3.2010 RM'000
Group - 31 March 2010					
At cost:					
Boats	446	65	-	-	511
Buildings, drydocks and waste plant	453,732	406	65,523	(535)	519,126
Plant, machinery and electrical installation	264,986	33,279	11,207	(1,714)	307,758
Vehicles and transport equipment	8,984	-	-	(134)	8,850
Furniture and office equipment	42,464	852	-	(2,667)	40,649
Loose tools	7,773	-	-	-	7,773
Construction-in-progress	319,513	234,522	(76,730)	-	477,305
	1,097,898	269,124	-	(5,050)	1,361,972

	At 1.4.2009 RM'000	Charge for the year RM'000	Impairment for the year RM'000	Write-off RM'000	At 31.3.2010 RM'000	Net carrying amount at 31.3.2010 RM'000
Group - 31 March 2010						
Accumulated depreciation and impairment						
Boats	446	5	-	-	451	60
Buildings, drydocks and waste plant	170,195	10,993	-	(241)	180,947	338,179
Plant, machinery and electrical installations	190,201	12,277	280	(1,632)	201,126	106,632
Vehicles and transport equipment	6,881	474	-	(134)	7,221	1,629
Furniture and office equipment	37,639	1,115	-	(2,670)	36,084	4,565
Loose tools	7,292	-	-	-	7,292	481
Construction-in-progress	-	-	-	-	-	477,305
	412,654	24,864	280	(4,677)	433,121	928,851

Interest expense capitalised during the financial year under construction-in-progress of the Group amounting to RM872,000 (2010: RM6,083,000) as disclosed in Note 8.

13. PREPAID LAND LEASE PAYMENTS

	Group	
	2011 RM'000	2010 RM'000
At 1 April	69,173	71,232
Amortisation for the year (Note 5)	(2,059)	(2,059)
At 31 March	67,114	69,173
Analysed as:		
Long term leasehold land	47,380	48,969
Short term leasehold land	19,734	20,204
	67,114	69,173

The long term leasehold and foreshore land cannot be disposed off, charged or subleased without the prior consent of the Johor State Government.

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2011 RM'000	2010 RM'000
Unquoted shares in Malaysia, at cost	664,132	8,932

The subsidiaries, all of which are incorporated in Malaysia, are as follows:

Name of company	Equity holding 2011 %	Equity holding 2010 %	Principal activities
Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE")	100	100	Oil and gas engineering and construction works and marine conversion and repair
Malaysia Marine and Heavy Engineering (Turkmenistan) Sdn Bhd	100	100	Dormant
Subsidiaries of MMHE:			
MSE Corporation Sdn Bhd	100	100	Under liquidation
Techno Indah Sdn Bhd	100	100	Sludge disposal management
MMHE-SHI LNG Sdn Bhd	70	70	Provision of repair services and dry docking of liquefied natural gas carriers
MMHE-ATB Sdn Bhd	-	60	Manufacturing of pressure vessels and tube heat exchangers

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14. INVESTMENT IN SUBSIDIARIES (cont'd)

(a) During the year, MMHE declared the following:
- Interim dividend of RM300 million, paid in cash;
- Interim dividend of RM655 million, paid via capitalisation of the intercompany payable; and
- Interim dividend of RM80 million, payable to the holding company.

(b) On 1 April 2010, the Group disposed 20% equity interest in MMHE-ATB Sdn Bhd for a cash consideration of RM6,000,000. Upon the disposal, MMHE-ATB Sdn Bhd became a jointly controlled entity of the Group (Note 15).

The disposal had the following effects on the financial position of the Group as at the end of the financial year:

	RM'000
Property, plant and equipment	6,539
Trade and other receivables	32,780
Deferred tax asset	253
Cash and cash equivalents	2,076
Provision for taxation	(1,473)
Trade and other payables	(9,639)
Borrowings	(2,631)
Total net assets	27,905
20% of net assets of MMHE-ATB Sdn Bhd disposed	5,581
Total proceeds	(6,000)
Gain on disposal to the Group (Note 4)	(419)
Cash inflow arising on the dilution of interest in the subsidiary	6,000
Cash and cash equivalents of the subsidiary deemed disposed	(2,076)
Net cash inflow on the dilution of interest in a subsidiary	3,924

(c) During the year, the Company acquired the entire equity interest of Malaysia Marine and Heavy Engineering (Turkmenistan) Sdn Bhd from MMHE at RM116,000.

15. INVESTMENT IN JOINTLY CONTROLLED ENTITIES

	Group	
	2011 RM'000	2010 RM'000
Unquoted shares at cost	11,372	180
Share of post-acquisition reserves	23,647	(1)
	35,019	179

15. INVESTMENT IN JOINTLY CONTROLLED ENTITIES (cont'd)

Details of jointly controlled entities, all of which are incorporated in Malaysia, are as follows:

Name of company	Principal activities	Effective Interest 2011 %	Effective Interest 2010 %
MMHE-TPGM Sdn Bhd	Provision of engineering, procurement, construction, installation and commissioning	60	60
MMHE-ATB Sdn Bhd (Note 14(b))	Manufacturing of pressure vessels and tube heat exchangers	40	-

The Group's aggregate share of the assets, liabilities and results of the jointly controlled entities are as follows:

	2011 RM'000	2010 RM'000
Assets and liabilities		
Current assets	349,225	180
Non-current assets	8,874	-
Total assets	358,099	180
Current liabilities	(317,128)	(1)
Non-current liabilities	(5,952)	-
Total liabilities	(323,080)	(1)
Results		
Revenue	475,240	-
Profit/(loss) for the year	25,245	(1)

16. OTHER INVESTMENT

	Group 2011 RM'000	Group 2010 RM'000
Golf memberships	50	50
Less: Accumulated impairment losses	(35)	(35)
	15	15

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17. DEFERRED TAX

	Group	
	2011 RM'000	2010 RM'000
At 1 April	25,440	4,198
Recognised in statement of comprehensive income (Note 9)	(35,379)	21,242
Dilution of interest in a subsidiary (Note 14(b))	253	-
At 31 March	(9,686)	25,440
Presented after appropriate offsetting as follows:		
Deferred tax assets	(9,686)	(253)
Deferred tax liabilities	-	25,693
	(9,686)	25,440

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Property, plant and equipment RM'000	Others RM'000	Total RM'000
At 1 April 2010	37,222	-	37,222
Recognised in statement of comprehensive income	13,420	-	13,420
Dilution of interest in a subsidiary	(135)	-	(135)
At 31 March 2011	50,507	-	50,507
At 1 April 2009	31,168	2,398	33,566
Recognised in statement of comprehensive income	6,054	(2,398)	3,656
At 31 March 2010	37,222	-	37,222

17. DEFERRED TAX (cont'd)

Deferred tax assets of the Group:

	Receivables RM'000	Provisions RM'000	Unutilised investment tax allowance RM'000	Others RM'000	Total RM'000
At 1 April 2010	(7,533)	(2,108)	-	(2,141)	(11,782)
Recognised in statement of comprehensive income	3,744	(2,535)	(47,685)	(2,323)	(48,799)
Dilution of interest in a subsidiary	416	(28)	-	-	388
At 31 March 2011	(3,373)	(4,671)	(47,685)	(4,464)	(60,193)
At 1 April 2009	(20,589)	(8,568)	-	(211)	(29,368)
Recognised in statement of comprehensive income	13,056	6,460	-	(1,930)	17,586
At 31 March 2010	(7,533)	(2,108)	-	(2,141)	(11,782)

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

	Group 2011 RM'000	Group 2010 RM'000
Unutilised tax losses	12,617	12,153
Unabsorbed capital allowances	28,547	28,546
Other deductible temporary differences	1,309	2,513

The unutilised tax losses and unabsorbed capital allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

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18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade receivables	1,981,453	754,812	-	-
Purchases of inventory and project materials paid in advance	9,578	113,057	-	-
Due from:				
- customers on contracts (Note 19)	299,695	1,577,466	-	-
- immediate holding company	-	508,389	28	7,842
- jointly controlled entities	8,836	-	-	-
Deposits	1,051	1,103	28	-
Prepayments	1,270	1,116	-	-
Staff loans	446	529	-	-
Other receivables	20,491	42,528	91,982	-
	2,322,820	2,999,000	92,038	7,842
Less: Accumulated impairment losses				
Trade receivables	(18,863)	(19,659)	-	-
	2,303,957	2,979,341	92,038	7,842

Included in the trade receivables of the Group are amount due from:

	Group	
	2011 RM'000	2010 RM'000
(i) Immediate holding company	1,267,643	523,077
(ii) Related companies		
PETRONAS Carigali (Turkmenistan) Sdn Bhd	155,162	94,040
PETRONAS Carigali Sdn Bhd	62,234	-

Included in the amount due from customers on contracts of the Group are amount due from:

	Group	
	2011 RM'000	2010 RM'000
(i) Immediate holding company	32,031	1,202,611
(ii) Related companies		
PETRONAS Carigali (Turkmenistan) Sdn Bhd	106,860	-
PETRONAS Carigali Sdn Bhd	138,198	234,172

Credit terms of trade receivables for the Group range from 30 days to 45 days (2010: 30 days to 45 days).

18. TRADE AND OTHER RECEIVABLES (cont'd)

The amount due from immediate holding company and jointly controlled entities are unsecured, interest free and repayable on demand except for the amount due from immediate holding company of RM500 million in the previous year which bore interest of 3.10% per annum. The amount was fully settled by the immediate holding company in the current year.

Further information on credit risk is disclosed in Note 29(b).

19. AMOUNT DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group	
	2011 RM'000	2010 RM'000
Aggregate costs incurred and recognised profits (less losses) to date	7,403,520	5,689,786
Less: Progress billings	(7,406,521)	(4,650,455)
	(3,001)	1,039,331
Amounts due from customers on contracts (Note 18)	299,695	1,577,466
Amounts due to customers on contracts (Note 24)	(302,696)	(538,135)
	(3,001)	1,039,331
Advances received on contracts (Note 24)	(3,843)	(430,429)

Construction costs recognised to income statement during the financial year by the Group amounted to RM3,866,590,000 (2010: RM5,550,584,000).

Included in the aggregate cost incurred and recognised profits (less losses) to date less progress billings in the previous years were projects completed pending finalisation of contract sum of RM310,909,000. The Group had received advances of RM310,671,000 for these contracts.

20. CASH AND BANK BALANCES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash at banks and on hand	90,171	134,619	3,469	50
Deposits with licensed banks	1,357,951	631,280	952,500	-
Cash and cash equivalents	1,448,122	765,899	955,969	50

The interest rates of deposits that are effective during the financial year range from 2.28% to 2.85% (2010: 1.80% to 2.28%) per annum. Deposits of the Group and the Company have an average maturity of 37 days (2010: 7 days) and 87 days (2010: Nil) at the balance sheet date.

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21. SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital

	Number of ordinary shares		Amount	
	2011 '000	2010 '000	2011 RM'000	2010 RM'000
Authorised				
At 1 April 2010/2009	100,000	100,000	100,000	100,000
Subdivision of every 1 existing ordinary shares of RM1 into 2 ordinary shares of RM0.50 each	100,000	-	-	-
Created during the year	4,800,000	-	2,400,000	-
At 31 March	5,000,000	100,000	2,500,000	100,000
Issued and fully paid				
At 1 April 2010/2009	16,220	16,220	16,220	16,220
Subdivision of every 1 existing ordinary shares of RM1 into 2 ordinary shares of RM0.50 each	16,220	-	-	-
Issue of bonus shares during the year	1,305,560	-	652,780	-
Issue of ordinary shares during the year	262,000	-	131,000	-
At 31 March	1,600,000	16,220	800,000	16,220

During the financial year, the Company implemented a corporate exercise as part of its initial public offering of the Company's shares which involved the following transactions:

(i) Increase in authorised share capital from RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each to RM2,500,000,000 comprising 5,000,000,000 ordinary shares of RM0.50 each.

(ii) Increase its paid-up ordinary share capital by way of:
- share split which involved the subdivision of every one (1) ordinary share of RM1.00 each to two (2) ordinary shares of RM0.50 each. Following the share split, the issued and paid up capital of 16,220,000 ordinary shares of RM1.00 each was split to 32,440,000 ordinary shares of RM0.50 each.
- bonus issue of 1,305,560,000 ordinary shares on the basis of about 40.245 bonus shares for every one (1) ordinary share by way of capitalising RM652,780,000 of the Company's retained earnings.
- issuance of additional 262,000,000 ordinary shares for a total cash consideration of RM980,780,000 via initial public offering in Main Market of Bursa Malaysia at issue price ranging from RM3.61 to RM3.80 per shares.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company. The Company's issued and paid-up ordinary shares at the end of the financial year was RM800,000,000 comprising of 1,600,000,000 ordinary shares of RM0.50 each.

The excess of proceeds over par value of the shares of RM849,780,000 has been credited to the share premium account as disclosed in Note 21(b).

21. SHARE CAPITAL AND SHARE PREMIUM (cont'd)

(b) Share premium

	Group and Company 2011 RM'000
At 1 April 2010	-
Arising from issuance of ordinary shares	849,780
Less: Share issuance expenses	(31,517)
At 31 March 2011	818,263

22. DEFERRED INCOME

	Group	
Non-current	2011 RM'000	2010 RM'000
At 1 April	2,326	1,568
Deferred income received	534	1,203
	2,860	2,771
Recognised in income statement	(1,869)	(445)
At 31 March	991	2,326

23. BORROWINGS

	Group	
	2011 RM'000	2010 RM'000
Short term borrowings		
Secured:		
Term loan	-	2,900
	-	2,900
Long term borrowings		
Unsecured:		
Term loan from immediate holding company	-	300,000
Term loan	-	2,631
	-	302,631

23. BORROWINGS (cont'd)

	Group	
	2011 RM'000	2010 RM'000
Total borrowings		
Term loans	-	5,531
Term loan from immediate holding company	-	300,000
	-	305,531
Maturity of borrowings:		
Within one year	-	2,900
More than 1 year and less than 5 years	-	300,000
More than 5 years	-	2,631
	-	305,531

The term loan of the Group in the financial year ended 31 March 2010 is secured by the following:

(a) Fixed and floating charge over all the assets of a subsidiary, Techno Indah Sdn Bhd; and
(b) Corporate guarantee by a subsidiary, Malaysia Marine and Heavy Engineering Sdn Bhd

Term loan from immediate holding company in the financial year ended 31 March 2010 is unsecured. The amount was fully repaid during the year.

The weighted average effective interest rates of the borrowings are as follows:

	Group	
	2011 %	2010 %
Term loans	-	3.86
Term loan from immediate holding company	-	3.65

The fair values of the borrowings are as follows:

	Group	
	2011 RM'000	2010 RM'000
Term loan from immediate holding company	-	300,443
Term loans	-	2,631

Fair value of the long term borrowings in the previous year had been determined using discounted estimated cash flows. The discount rates used are the current market incremental lending rates for similar type of borrowings.

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade payables	435,261	560,236	150	-
Accruals	1,525,627	1,383,572	-	-
Retention monies	58,368	48,816	-	-
Advances received on contracts (Note 19)	3,843	430,429	-	-
Due to:				
- customers on contracts (Note 19)	302,696	538,135	-	-
- immediate holding company	-	2,645	-	820
- subsidiaries	-	-	4,467	-
Other payables	209,147	174,365	861	9
	2,534,942	3,138,198	5,478	829

Credit terms of trade payables granted to the Group range from 30 days to 60 days (2010: 30 days to 60 days).

The amounts due to immediate holding company and subsidiaries are unsecured, interest free and repayable on demand.

Included in trade payables are amounts due to:

	Group	
	2011 RM'000	2010 RM'000
(i) Fellow subsidiary		
- MISC Integrated Logistics Sdn Bhd	39,942	8,561
(ii) Related companies		
- Malaysian International Trading Corporation (Japan) Sdn Bhd	43,386	75,791
- PETRONAS Dagangan Berhad	802	219

Notes to the Financial Statements

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25. PROVISIONS

	Group	
	2011 RM'000	2010 RM'000
Warranty		
At 1 April	5,575	17,265
Reversal during the year (Note 5)	(445)	(11,690)
Reversal of provision for warranty arising from dilution of interest in a subsidiary	(180)	-
At 31 March	4,950	5,575
Liquidated ascertained damages		
At 1 April	44,824	44,824
Provision during the year (Note 5)	11,553	-
At 31 March	56,377	44,824
Total provision for liabilities	61,327	50,399

Provision for warranty

The Group gives approximately one year warranty on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision has been recognised at the end of the financial year for expected warranty claims based on past experience of the level of repairs and returns.

Provision for liquidated ascertained damages

The Group recognised the provision for liquidated ascertained damages for its customers. The provision is recognised for expected claims based on the terms of the agreements.

26. CAPITAL COMMITMENTS

	Group	
	2011 RM'000	2010 RM'000
Capital expenditure:		
Property, plant and equipment:		
Approved and contracted for	87,176	162,484
Approved but not contracted for	422,755	447,820
	509,931	610,304

27. CONTINGENT LIABILITIES

	Group	
	2011 RM'000	2010 RM'000
Bank guarantees extended to customers for performance bond on contracts	6,986	274,174

28. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group	
	2011 RM'000	2010 RM'000
Income:		
Provision of services for repairs, engineering and construction works, conversion of vessels and dry docking to immediate holding company	1,312,160	2,465,720
Provision of services for repairs, conversion of vessels and dry docking to fellow subsidiaries	60,978	82,398
Provision of services for repairs, engineering and construction works, conversion of vessels and dry docking to related companies	2,875,270	3,161,124
Provision of services for repairs, engineering and construction works, conversion of vessels and dry docking to a jointly controlled entity	607,779	-
Interest income receivable from immediate holding company	2,064	548
Expenses:		
Purchase of materials and provision for services rendered by:		
- related companies	384,267	965,299
- fellow subsidiaries	107,120	100,634
- a jointly controlled entity	6,286	-
Interest on loan from immediate holding company	1,579	7,030

	Company	
	2011 RM'000	2010 RM'000
Income:		
Dividend income from a subsidiary	1,110,375	-
Interest income receivable from a subsidiary	-	41

The directors are of the opinion that the transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different than that attainable in transactions with unrelated parties.

Notes to the Financial Statements

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28. RELATED PARTY DISCLOSURES (cont'd)

(b) Compensation of key management personnel

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

	Group	
	2011 RM'000	2010 RM'000
Short-term employee benefits	3,316	5,311
Post-employment benefits:		
Defined contribution plan	570	779
	3,886	6,090

Included in the total key management personnel are:

	Group	
	2011 RM'000	2010 RM'000
Directors' remuneration (Note 6)	1,450	1,132

29. FINANCIAL INSTRUMENTS

(a) Financial risk management

The Group is exposed to various risks that are related to its core business of oil and gas engineering and construction works and marine conversion and repair. These risks arise in the normal course of the Group's businesses.

The Group's compliance to both MISC's Finance Risk Management Framework and Guidelines and PETRONAS Corporate Financial Policy sets the foundation for the establishment of effective risk management across the Group.

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses and management of financial risks exposures arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks as summarised below. It is, and has been throughout the year under review, the Group's policy that no speculative trading in derivative financial instruments shall be undertaken.

(b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from its operating activities (primarily for trade receivables) and from its investing activities including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

(i) Maximum credit risk exposure

The Group's and the Company's maximum exposure to credit risk is represented by the carrying amount as disclosed in the Notes 18 and 20.

29. FINANCIAL INSTRUMENTS (cont'd)

(b) Credit risk (cont'd)

(ii) Trade receivables

(a) Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the balance sheet date is as follows:

	Group	
	2011 RM'000	2010 RM'000
Engineering and construction	1,856,068	594,748
Marine conversion and repair	124,524	149,772
Others	861	10,292
	1,981,453	754,812

(b) Credit quality

The trade receivables that are neither past due nor impaired, past due but not impaired and impaired are disclosed below:

	Group	
	2011 RM'000	2010 RM'000
Not impaired or past due	153,170	366,335
Past due 0 to 30 days not impaired	180,479	159,126
Past due 31 to 60 days not impaired	1,116,163	108,577
Past due 61 to 90 days not impaired	26,829	10,851
Past due more than 90 days not impaired	485,949	90,264
Impaired	18,863	19,659
	1,981,453	754,812

Trade receivables that are neither past due nor impaired are creditworthy trade receivables with good payment record with the Group.

Significant financial difficulties of the trade receivables, probability that the debtors will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days aging of trade receivable balances) are considered indicators that the trade receivable is impaired. Individual trade receivable is written off when management deemed the amount to be not collectible.

Notes to the Financial Statements

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29. FINANCIAL INSTRUMENTS (cont'd)

(b) Credit risk (cont'd)

(ii) Trade receivables (cont'd)

(b) Credit quality (cont'd)

The movements in the allowance for impairment losses of trade receivables during the year are as follows:

	Group	
	2011 RM'000	2010 RM'000
At 1 April	19,659	24,052
Impairment loss (Note 5)	890	3,884
Reversal of impairment loss (Note 5)	(16)	(8,277)
Reversal of impairment loss arising from dilution of interest in a subsidiary	(1,670)	-
At 31 March	18,863	19,659

The allowance made is for individually assessed and impaired receivables. There were no allowance made for collective assessment.

(c) Collateral

The Group does not hold collateral as security.

(iii) Other receivables

Other receivables as at 31 March 2011 are creditworthy debtors with good payment record with the Group.

(iv) Cash and bank balances

Cash and deposits with licensed banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

(c) Liquidity risk

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

As at 31 March 2011, the Group had at its disposal cash and short term deposits amounting to RM1,448,122,000 (2010: RM765,899,000).

The Group's holding of cash and short term deposits, together with committed funding facilities and net cash flow from operations, are expected to be sufficient to cover its cash flow needs.

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

29. FINANCIAL INSTRUMENTS (cont'd)

(c) Liquidity risk (cont'd)

Group:

			<-- Maturity profile of the contractual cashflow -->		
	Carrying amount RM'000	Contractual cashflows RM'000	Within 1 year RM'000	Within 1-2 years RM'000	More than 2 years RM'000
At 31 March 2011					
Trade and other payables	2,534,942	2,534,942	2,534,942	-	-
At 31 March 2010					
Interest bearing borrowings	305,531	331,440	12,192	11,846	307,402
Trade and other payables	3,138,198	3,138,198	3,138,198	-	-
	3,443,729	3,469,638	3,150,390	11,846	307,402

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. As the Group has no significant long term interest bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been placed mostly in time deposit and overnight placement.

The interest rate profile of the Group's interest-bearing financial instruments based on carrying amount as at reporting date was:

	Group	
	2011 RM'000	2010 RM'000
Fixed rate instruments		
Financial liabilities	-	302,900
Floating rate instruments		
Financial liabilities	-	2,631

(i) Interest rate sensitivity

The impact from a reasonably possible change in interest rate of 35 basis point would have a minimal impact to the profit before tax and equity of the Group.

Notes to the Financial Statements

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29. FINANCIAL INSTRUMENTS (cont'd)

(e) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Euro, Singapore Dollar ("SGD") and Great Britain Pound ("GBP").

The Group maintains a natural hedge, wherever possible, by matching the cash inflows (revenue stream) and cash outflows used for purposes such as capital expenditures, operational expenditures and debt service requirements in the respective currencies.

(i) Foreign currency sensitivity

The following table demonstrates the sensitivity of the Group's profit before tax and equity to a reasonably possible change in the USD, Euro, SGD and GBP exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant:

Group:

	Change in currency rate	Effect on profit before taxation RM'000	Effect on equity RM'000
31 March 2011			
USD	+4%	7,397	-
	-4%	(7,397)	-
Euro	+7%	23	-
	-7%	(23)	-
SGD	+2%	799	-
	-2%	(799)	-
GBP	+9%	1,995	-
	-9%	(1,995)	-
31 March 2010			
USD	+5%	10,328	-
	-5%	(10,328)	-
Euro	+5%	2,162	-
	-5%	(2,162)	-
SGD	+5%	3,143	-
	-5%	(3,143)	-

29. FINANCIAL INSTRUMENTS (cont'd)

(e) Foreign currency risk (cont'd)

(i) Foreign currency sensitivity (cont'd)

The net unhedged financial assets of the Group that are not denominated in their functional currency, Ringgit Malaysia are as follows:

	<---- Net financial assets held in non-functional currencies ---->				
	USD RM'000	Euro RM'000	SGD RM'000	Others RM'000	Total RM'000
At 31 March 2011					
Ringgit Malaysia	196,441	5,607	40,872	24,221	267,141
At 31 March 2010					
Ringgit Malaysia	197,600	43,416	62,942	1,037	304,995

30. CAPITAL MANAGEMENT

The Group's capital management is defined as the process of managing the ratio of its equity and debt structure so as to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders value. The Group's approach in managing capital is set out in MISC's Corporate Financial Policy.

The Group monitors and maintains a prudent level of total debt to equity ratio to optimise shareholder's value and to ensure compliance with covenants under debt agreements.

The debt to equity ratio of the Group and the Company as at 31 March 2011 and 31 March 2010 are as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Short term borrowings	-	2,900	-	-
Long term borrowings	-	302,631	-	-
Total borrowings	-	305,531	-	-
Equity attributable to equity holders of the Company	2,298,390	1,198,379	1,705,958	16,012
Debt to equity ratio	-	0.25	-	-

31. SEGMENT INFORMATION

For management purposes, the Group is organised into business segments based on the services provided as follows:

(i) Engineering and construction – provision of service for oil and gas engineering and construction works.
(ii) Marine conversion and repair – provision of service for conversion and repairs of vessels including provision of repair services and drydocking of liquefied natural gas carriers.
(iii) Others – comprises supporting divisions to the Group operations and sludge disposal management.

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31. SEGMENT INFORMATION (cont'd)

None of the operating segments has been aggregated to form the above reportable operating segments.

Management monitors the assets and liabilities on a group basis and not by operating segments.

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

	Engineering and construction RM'000	Marine conversion and repair RM'000	Others RM'000	Total RM'000	Adjustments or Eliminations RM'000	Note	Consolidated RM'000
31 March 2011							
Revenue							
External customers	4,156,888	277,206	1,326	4,435,420	-		4,435,420
Inter-segments	-	60,624	570	61,194	(61,194)	A	-
	4,156,888	337,830	1,896	4,496,614	(61,194)		4,435,420
Result							
Operating profit	316,089	48,524	1,149,680	1,514,293	(1,114,443)	A	399,850
Finance costs	(485)	(222)	(62)	(769)	-		(769)
Share of results of jointly controlled entities				25,245	-		25,245
Profit before tax				1,538,769	(1,114,443)		424,326
Taxation				26,450	-		26,450
Profit for the year				1,565,219	(1,114,443)		450,776
Segment assets				2,262,285	2,664,969	B	4,927,254
Segment liabilities				306,539	2,319,023	C	2,625,562
Included in operating profits are:							
Depreciation and amortisation	(14,610)	(19,266)	(3,084)	(36,960)	-		(36,960)
Inventories written off	(1,078)	(4,019)	-	(5,097)	-		(5,097)
Impairment loss - trade receivables	-	(868)	(6)	(874)	-		(874)
Provision for liquidated ascertained damages	-	(11,553)	-	(11,553)	-		(11,553)
(Provision)/Reversal of provision for warranty	725	(280)	-	445	-		445

31. SEGMENT INFORMATION (cont'd)

	Engineering and construction RM'000	Marine conversion and repair RM'000	Others RM'000	Total RM'000	Adjustments or Eliminations RM'000	Note	Consolidated RM'000
31 March 2010							
Revenue							
External customers	5,603,792	539,986	3,234	6,147,012	-		6,147,012
Inter-segments	-	89,671	48,458	138,129	(138,129)	A	-
	5,603,792	629,657	51,692	6,285,141	(138,129)		6,147,012
Result							
Operating profit	285,851	99,940	(7,465)	378,326	2,333	A	380,659
Finance costs	(2,739)	(583)	(180)	(3,502)	50	A	(3,452)
Share of results of jointly controlled entities				(1)	-		(1)
Profit before tax				374,823	2,383		377,206
Taxation				(93,091)	-		(93,091)
Profit for the year				281,732	2,383		284,115
Segment assets				2,312,619	2,471,508	B	4,784,127
Segment liabilities				968,564	2,602,399	C	3,570,963
Included in operating profits are:							
Depreciation and amortisation	(11,118)	(15,635)	(450)	(27,203)	-		(27,203)
Inventories written off	-	-	(612)	(612)	-		(612)
(Impairment loss)/reversal of impairment loss - trade receivables	7,498	(3,085)	(20)	4,393	-		4,393
Reversal of provision for warranty	11,487	-	203	11,690	-		11,690

Notes to the Financial Statements

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31. SEGMENT INFORMATION (cont'd)

Note

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

B The following items are deducted from total assets as reported in the statement of financial position to arrive at the items reviewed:

	2011 RM'000	2010 RM'000
Total assets	4,927,254	4,784,127
Property, plant and equipment	1,030,256	928,851
Prepaid land lease payments	67,114	69,173
Investment in jointly controlled entities	35,019	179
Other investment	15	15
Deferred tax assets	9,686	253
Inventories	30,632	38,523
Other receivables	41,672	666,722
Tax recoverable	2,453	1,893
Cash and cash equivalents	1,448,122	765,899
Adjustments and eliminations to total assets	2,664,969	2,471,508
Total items reviewed	2,262,285	2,312,619
The items reviewed comprised:		
Due from customers on contracts	299,695	1,577,466
Trade receivables	1,962,590	735,153
	2,262,285	2,312,619

31. SEGMENT INFORMATION (cont'd)

Note (cont'd)

C The following items are deducted from total liabilities as reported in the statement of financial position to arrive at the items reviewed:

	2011 RM'000	2010 RM'000
Total liabilities	2,625,562	3,570,963
Deferred income	991	2,326
Borrowings	-	305,531
Deferred tax liabilities	-	25,693
Trade and other payables	2,228,403	2,169,634
Provisions	61,327	50,399
Provision for taxation	28,302	48,816
Adjustments and eliminations to total liabilities	2,319,023	2,602,399
Total items reviewed	306,539	968,564
The items reviewed comprised:		
Advance received on contracts	3,843	430,429
Due to customers on contracts	302,696	538,135
	306,539	968,564

Geographical information

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

	Revenue RM'000	Non-current assets* RM'000
31 March 2011		
Malaysia	2,001,866	1,132,404
Turkmenistan	2,433,554	-
	4,435,420	1,132,404
31 March 2010		
Malaysia	3,583,218	998,218
Turkmenistan	2,563,794	-
	6,147,012	998,218

* Non-current assets other than deferred tax assets.

Notes to the Financial Statements

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31. SEGMENT INFORMATION (cont'd)

Note (cont'd)

Information about major customers

Breakdown of revenue from major customers are as follows:

	2011 RM'000	2010 RM'000
Immediate holding company		
- Engineering and construction	1,218,246	2,316,003
- Marine conversion and repair	93,914	149,717
	1,312,160	2,465,720
PETRONAS Carigali (Turkmenistan) Sdn Bhd, a related company		
- Engineering and construction	2,433,554	2,563,794

32. SIGNIFICANT EVENTS

(a) On 1 April 2010, the Group disposed 1,120,000 ordinary shares of RM1.00 each in a subsidiary, MMHE-ATB for a sale proceeds of RM6,000,000 or RM5.35 per share. This effectively reduced the Group's equity interest in MMHE-ATB from 60% to 40%.

(b) On 29 October 2010, the Company completed the listing exercise with the listing of its entire 1.6 billion ordinary shares on the Main Market of Bursa Malaysia.

(c) On 11 June 2010, a subsidiary of the Group was granted investment tax allowances ("ITA") incentive in respect of qualifying capital expenditure incurred for its Yard Optimisation programme. The ITA incentive would apply on qualifying capital expenditure incurred for a period of 10 years from the year 2006, and will commence from 15 September 2006 as determined by Ministry of International Trade and Industry. The ITA will entitle the subsidiary to claim 100% ITA on qualifying capital expenditure incurred in the relevant years of assessment, to be claimed against statutory income of the said subsidiary. The ITA is an additional deduction to the capital allowances granted on qualifying capital expenditure.

The ITA incentive was approved subject to certain conditions imposed by the Malaysian Investment Development Authority.

(d) On 9 July 2010, MMHE divested its 100% equity interest in Malaysia Marine and Heavy Engineering (Turkmenistan) Sdn Bhd to the Company.

33. SUPPLEMENTARY INFORMATION — BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED

The breakdown of the retained profits of the Group and of the Company as at 31 March 2011 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group RM'000	Company RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	440,769	87,695
- Unrealised	28,411	-
Total share of retained profits from jointly controlled entities:		
- Realised	23,413	-
- Unrealised	234	-
	492,827	87,695
Add: Consolidation adjustments	187,300	-
Retained profits as per financial statements	680,127	87,695

OTHER INFORMATION

We believe in developing our human capital to their full potential

Properties owned by MHB and its subsidiaries

No.	Location	Description	Tenure & Year Lease Expires	Area in sq ft	Existing Use	Age of Bldg / Land (years)	Approx Net Book Value (RM'000)
1.	PTD 22805 Mukim Plentong Johor Bahru	Land, Shipyard	Leasehold/ 2040	13,115,306	Ship repair, ship building and engineering fabrication yards, ancillary facilities and office buildings.	31	36,921
2.	PTD 11549 Mukim Plentong Johor Bahru	Land, Shipyard	Leasehold/ 2075	522,720	Ship repair, ship building and engineering fabrication yards, ancillary facilities and office buildings.	35	1,122
3.	PTD 101363 Mukim Plentong Johor Bahru	Land	Leasehold/ 2039	2,567,862	Storage Area	2	19,734
4.	PTD 65615 Mukim Plentong Johor Bahru	Land	Leasehold/ 2044	698,266	Staff Quarters	27	3,329
5.	PTD 65618 Mukim Plentong Johor Bahru	Land	Leasehold/ 2044	587,624	Staff Quarters	27	2,801
6.	PTD 65619 Mukim Plentong Johor Bahru	Land	Leasehold/ 2044	128,502	Staff Quarters	27	613
7.	PTD 65616 Mukim Plentong Johor Bahru	Land	Leasehold/ 2044	169,884	Vacant	27	810
8.	PTD 65617 Mukim Plentong Johor Bahru	Land	Leasehold/ 2044	374,180	Vacant	27	1,784
9.	Pasir Gudang Industrial Estate 81707 Pasir Gudang Johor (erected on land 1 and 2 above)	Warehouse, workshops and office buildings	Leasehold/ 2040/2075	1,956,881	Ship repair, ship building and engineering fabrication yards, ancillary facilities and office buildings.	34	621,771
10.	Rumah Pangsa MMHE 81700 Pasir Gudang (erected on land 4 to 6 above)	4-storey residential flats	Leasehold/ 2044	383,559	Staff Quarters	33	2,586

Corporate Directory

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Level 31, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur, Malaysia
Tel : +603 2273 0266
Fax : +603 2273 8916
www.mhb.com.my

SUBSIDIARIES

Malaysia Marine and Heavy Engineering Sdn Bhd
PLO 3, Jalan Pekeliling, P. O. Box 77,
81700 Pasir Gudang
Johor, Malaysia
Tel : +607 251 2111
Fax : +607 251 4942 (Engineering and Construction)
+607 251 4249 (Marine Conversion)
+607 251 3740 (Marine Repair)

Branch Office in Singapore
2 Boon Leat Terrace
#05-03 Harbourside 2 Industrial Building
Singapore 119844
Tel : +65 6220 7944/5
Fax : +65 6224 3967

www.mmhe.com.my

Techno Indah Sdn Bhd
PLO 3, Jalan Pekeliling, P. O. Box 77,
81700 Pasir Gudang
Johor, Malaysia
Tel : +607 268 2891/2
Fax : +607 278 3037

MMHE-SHI LNG Sdn Bhd
PLO 3, Jalan Pekeliling, P. O. Box 77,
81700 Pasir Gudang,
Johor, Malaysia
Tel : +607 268 1903
Fax : +607 276 9151

JOINTLY CONTROLLED ENTITIES

MMHE-TPGM Sdn Bhd
Registered Office:
Level 31, Menara Dayabumi,
Jalan Sultan Hishamuddin,
50050 Kuala Lumpur, Malaysia
Tel : +603 2273 0266
Fax : +603 2273 8916

Branch Office in Turkmenistan:
Level 6, Garagum Bank Building,
126, Turkmenbashy Shayoly,
Ashgabat, 744000 Turkmenistan
Tel : +99312 45 63 74
Fax : +99312 45 63 55

MMHE-ATB Sdn Bhd
PLO 3, Jalan Pekeliling, P. O. Box 77,
81700 Pasir Gudang,
Johor, Malaysia
Tel : +607 268 3111
Fax : +607 252 5126
www.mmhe.com.my

Armada Akses Sdn Bhd
(to be renamed as **Technip MHB Hull Engineering Sdn Bhd**)
2nd Floor, Wisma Technip
241, Jalan Tun Razak
50400 Kuala Lumpur
Tel : +603 2116 7888
Fax : +603 2116 7999

Worldwide Agents for Ship Repair

CYPRUS

Epsco Cyprus LTD
Gladstonos & Karaiskaki Street, Corner Oasis Center,
Office 22, 3032, P.O.Box 51861, 4155 Limassol, Cyprus
Tel : 357-25-733091
Fax : 357-25-336162
Contact person : **Mr. Andreas Ioannou** - Managing Director
(M) 357-29-656 384
(E) epscocy@spidernet.com.cy
Mr. David Wilson
(M) 357-996-70491
Ms. Zoe Stanescu
(M) 357-996-70497

DENMARK

Falck Formco A/S
Automatikvej 1, 3 Floor, DK-2860 Soeburg, Denmark
Tel : 45-39-648511
Fax : 45-39-632840
Contact person : **Mr. Thomas L. Falck** - Managing Director
(M) 45-40-735730
(E) office@falckformco.dk
tfalck@falckformco.dk

FRANCE

Marine Marketing International LTD
12 Rue Cepre, 75015 Paris, France
Tel : 33-970-448 843
Fax : 33-177-758 894
Web : www.marinemi.com
Contact person : **Capt. Lacho Stoyanov**
(M) 33-661-755 596
(E) Europe@marinemi.com

GERMANY

Turbo-Technik Reparatur-Werft GmbH & Co KG
Alstertwiete 5, D-20099 Hamburg,
Federal Republic of Germany
Tel : 49-40-280-1057
Fax : 49-40-280-3396
Contact person : **Mr. Heinz Buchholz** - Sales Manager
(E) hamburg@turbotechnik.com
(M) 49-1724-3938-28
Mr. Holger Fiermann -
Project & Sales Manager
(M) 49-160-9056-3496

GREECE

George Moundreas & Co SA
167 Alkiviadou Street, 18535 Piraeus, Greece
Tel : 30-210-414-7000
Fax : 30-210-414-7090
Web : www.gmoundreas.gr
Contact person : **Mr. Christos Karaindros**
- Manager Repairs & Conversions
(E) repairs@gmoundreas.gr
(M) 30-694-447-3675

HONG KONG

Asian Marine Services Limited
Room 1809-10, 18 Floor, Tai Yau Building,
No. 181, Johnston Road, Wanchai, Hong Kong
Tel : 852-2539-5011
Fax : 852-2539-5800
Web : www.asian-marine.com
Contact person : **Mr. Clayton Yu** - Director
(M) 852-9093-3258; 65-9126-9911
(E) info@asian-marine.com
repair@asian-marine.com

INDIA

International Maritime Agencies
Tower 1, Unit No. 3, The Arcade, World Trade Centre,
Cuffe Parade Road, Colaba Mumbai - 400 005, India
Tel : 91-22-2218-2757
Fax : 91-22-2216-4437
Contact person : **Mr. Kurush S. Bilimoria** - President
(M) 91-98203 21211
(E) bili@vsnl.com

IRAN

Javaneh-Bahari Co LTD
Bldg. 310, West Mirdamad Blvd, Tehran 19697, 63511 Iran
Tel : 98-21-8878-5006; 98-21-8877-7761-3
Fax : 98-21-8877-4522 / 8888-1234
Web : www.jb-co.com
Contact person : **Mr. Gholam Hossein Tanha -**
Managing Director
(M) 98-91-2112-9821
(E) ghtanha@jb-co.com
jbco.ltd@gmail.com
jbco@jb-co.com

ITALY, SWITZERLAND, MONACO

Banchero Costa & Co SPA
Via Pammatone 2, 16121 Genoa, Italy
Tel : 39-010-563-1626 / 29 / 34
Fax : 39-010-563-1602
Web : www.bancosta.it
Contact person : **Mr. Fabio Bertolini** - Sales Manager
(M) 39-335-807-8217
(E) shipyard@bcagy.it
Ms. Loretta Busdon
(M) 39-335-736-6802
(E) shipyard@bcagy.it
Mr. Andrea Sabbion
(M) 39-335-736-6801
(E) shipyard@bcagy.it

JAPAN

Koumi Service Co LTD
Room 204, Mansion-Shibakoen, 3-2-11,
Shiba Minato-Ku, Tokyo 105-0014, Japan
Tel : 81-3-5443-0301
Fax : 81-84-982-7571
Contact person : **Mr. Koichi Ubuka** - Director
(M) 81-90-6481-0903
(E) k_ubuka@koumi-ser.com

KOREA

K-Marine Co LTD
Rm 604, Intellium Centum Building 6F, 1458
U-Dong, Haeundae-Ku, Busan, 612-020 Korea
Tel : 82-51-464-8205 / 6 / 7
Fax : 82-51-464-8208
Contact person : **Mr. Tae Seong Kweon** - President
(E) tskweon@k-marine.com
kmarine@k-marine.com

NETHERLANDS, BELGIUM, LUXEMBOURG

Ruysch Technical – Agencies Holland BV
Oostzeestraat 3, NL - 7202 AA Zutphen, Netherlands
Tel : 33-575 515 744
Fax : 31-575 515 750
Web : www.ruysch.nl
Contact person : **Mr. Jeroen Veraart** - Sales Manager
(M) 31-652 415 991
(E) jv@ruysch.nl
Mr. Edward Verweij
(M) 31-613 945 701
(E) ev@ruysch.nl

NORWAY

Arnulf L'Orsa A/S Shipbrokers/Agents
Postboks 80 Nordstrand, 1112 Oslo, Norway
Tel : 47-2-104-2693
Fax : 47-2-104-3691
Web : www.lorsa.no
Contact person : **Mr. Arnulf L'Orsa** - Managing Director
(M) 47-90-593-151
(E) arnulf.lorsa@lorsa.no
Michal Walenkiewicz - Repair
(M) 47-91-365-591
(E) michal@lorsa.no

SINGAPORE

Cube Net Asia PTE LTD
Block 6, Lorong Lew Lian, #02-126, Singapore 531006
Tel : 65-6286-6745
Fax : 65-6282-0317
Contact person : **Mr. Clement See Thiam Hock** - Director
(M) 65-9119-2098
(E) cubenet@singnet.com.sg

TAIWAN

Wale Young Corporation
No. 30-3, Jhongchuan 2nd Village, Siaogong District,
Kaoshiung City 812, Taiwan, Republic of China
Tel : 886-7-831-4410
Fax : 886-7-831-9824
Contact person : **Ms. Tracy Yu** - Director
(E) wale.young@msa.hinet.net

UNITED KINGDOM

Marine Marketing International LTD
G5 Challenge House, Sherwood Drive,
Bletchley, Milton Keynes, MK3 6DP, United Kingdom
Tel : 44-1908-378-822
Fax : 44-1908-378-828
Web : www.marinemi.com
Contact person : **Mr. Mike McMahon** - Managing Director
(M) 44-772-007-4113
(E) uk@marinemi.com

UNITED STATES OF AMERICA, CANADA, BAHAMAS

Darr Maritime Services, LLC
1340 N. Great Neck Road #1272-319, Virginia Beach,
Virginia 23454, United States of America
Tel : 1-757-472-5801
Fax : 1-757-631-0024
Contact Person : **Thomas Darr** - President
(E) darrmaritime@cox.net

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty Second Annual General Meeting of Malaysia Marine and Heavy Engineering Holdings Berhad will be held at InterContinental Kuala Lumpur (formerly, Nikko Hotel), 165 Jalan Ampang, 50450 Kuala Lumpur, Malaysia on Wednesday, 21 September 2011 at 11.00 a.m. for the following purposes:-

1. To receive and adopt the audited financial statements for the financial year ended 31 March 2011 and the Reports of the Directors and Auditors thereon. Resolution 1

2. To declare a final single tier dividend of 5 sen per share in respect of the financial year ended 31 March 2011. Resolution 2

3. To elect the following Directors who retire pursuant to Article 112 of the Company's Articles of Association and who being eligible, have offered themselves for election:-
   i. Bernard Rene Francois di Tullio Resolution 3
   ii. Yong Nyan Choi @ Yong Guan Choi Resolution 4
   iii. Dominique Marie Bruno Francois Veyre de Soras Resolution 5

4. To re-elect the following Directors who retire by rotation pursuant to Article 115 of the Company's Articles of Association and who being eligible, have offered themselves for re-election:-
   i. Dato' Halipah binti Esa Resolution 6
   ii. Yee Yang Chien Resolution 7

5. To approve the payment of Directors' fees amounting to RM631,084.00 for the financial year ended 31 March 2011. Resolution 8

6. To re-appoint Messrs Ernst & Young as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. Resolution 9

7. As special business, to consider and if thought fit, to pass the following ordinary resolution:-
   Proposed Authority to Allot and Issue Shares Pursuant to Section 132D of the Companies Act, 1965
   THAT pursuant to Section 132D of the Companies Act, 1965 and the approval of the relevant authorities, the Directors be and are hereby authorised to allot and issue shares in the Company at any time 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 issued share capital of the Company as at the date of this Annual General Meeting and that 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 and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company. Resolution 10

8. To transact any other ordinary business of which due notice has been given in accordance with the Companies Act, 1965.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that subject to the approval of Members at the Twenty Second Annual General Meeting on 21 September 2011, a final single tier dividend of 5 sen per share in respect of the financial year ended 31 March 2011 will be paid on 19 October 2011 to Depositors whose names appear in the Record of Depositors on 28 September 2011.

A depositor shall qualify for entitlement to the dividend only in respect of:-

i. shares transferred into the Depositor's securities account before 4.00 p.m. on 28 September 2011 in respect of ordinary transfers; and
ii. shares bought on Bursa Malaysia Securities Berhad ("Bursa Malaysia") on a cum entitlement basis according to the Rules of Bursa Malaysia.

By Order of the Board
Fadzillah Kamaruddin (LS 0008989)
Ausmal Kardin (LS 0009383)
Company Secretaries
Kuala Lumpur
23 August 2011

Notes on Proxy Form

1. A member of the Company (except if the member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991) shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. The Form of Proxy must be signed by the appointer of the proxy, or its attorney duly authorised in writing. In the case of a corporation, the Form of Proxy shall be executed under its common seal, or signed by its attorney duly authorised in writing or by a duly authorised officer on behalf of the corporation.
3. The Form of Proxy duly completed and executed, must be deposited at the Company's Share Registrar, Symphony Share Registrars Sdn Bhd (378993-D) at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty eight (48) hours before the time fixed for the holding of the meeting or any adjournment thereof.

EXPLANATORY NOTES ON SPECIAL BUSINESS

Proposed Authority to Allot and Issue Shares Pursuant to Section 132D of the Companies Act, 1965

With the growing technical capabilities, the Group continues to seize the opportunities to broaden the operating base and earnings potential of the Company. If any of the expansion proposals involves the issuance of new shares, any delay and costs involved in convening a general meeting to approve such issuance of shares would be avoided if the proposed Resolution 10 is passed as the Directors are empowered to allot and issue shares in the Company, up to an amount not exceeding in aggregate 10% of the issued share capital.

Statement Accompanying Notice of Annual General Meeting

Made Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

1. Directors who are standing for election and re-election at the Twenty Second Annual General Meeting.

   The Directors retiring and seeking election pursuant to Article 112 of the Company's Articles of Association are:-
   i. Bernard Rene Francois di Tullio
   ii. Yong Nyan Choi @ Yong Guan Choi
   iii. Dominique Marie Bruno Francois Veyre de Soras

   The Directors retiring and seeking re-election pursuant to Article 115 of the Company's Articles of Association are:-
   i. Dato' Halipah binti Esa
   ii. Yee Yang Chien

2. The profiles of the above Directors are set out in the section entitled "Profiles of Directors" on pages 19 to 27 of this Annual Report. The details of the Directors' shareholdings in the Company are set out in the "Director's Report" on page 84 of this Annual Report. None of the Directors holds interest in the Company's subsidiaries.

Proxy Form

MHB

CDS Account No.	
No. of Shares Held	

I/We ………………………………………………………………………………………………… [NRIC/Passport No. : ……………………………………………………]
(Full name in block letters)

of ……
(Address in full)

being a member/members of **MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD** (Company No. 178821-X), do hereby appoint

………………………………………………………………………………………………… [NRIC/Passport No. : ……………………………………………………]
(Full name in block letters)

of ……
(Address in full)

and/or failing him/her …………………………………………………………………………… [NRIC/Passport No. : ……………………………………………………]
(Full name in block letters)

of ……
(Address in full)

and failing the abovenamed proxies, the Chairman of the Meeting, as my/our proxy to attend and to vote for me/us on my/our behalf at the Twenty Second Annual General Meeting of the Company to be held at InterContinental Kuala Lumpur (formerly, Nikko Hotel), 165 Jalan Ampang, 50450 Kuala Lumpur, Malaysia on Wednesday, 21 September 2011 at 11.00 a.m. and at any adjournment thereof. My/our proxy is to vote as indicated below:

No.	ORDINARY RESOLUTION	FOR	AGAINST
1.	To receive and adopt the audited financial statements for the financial year ended 31 March 2011 and the Reports of the Directors and Auditors thereon.		
2.	To declare a final single tier dividend of 5 sen per share in respect of the financial year ended 31 March 2011.		
3.	To elect Bernard Rene Francois di Tullio who retires in accordance with Article 112 of the Company's Articles of Association.		
4.	To elect Yong Nyan Choi @ Yong Guan Choi who retires in accordance with Article 112 of the Company's Articles of Association.		
5.	To elect Dominique Marie Bruno Francois Veyre de Soras who retires in accordance with Article 112 of the Company's Articles of Association.		
6.	To re-elect Dato' Halipah binti Esa who retires in accordance with Article 115 of the Company's Articles of Association.		
7.	To re-elect Yee Yang Chien who retires in accordance with Article 115 of the Company's Articles of Association.		
8.	To approve the payment of Directors' fees amounting to RM631,084.00 for the financial year ended 31 March 2011.		
9.	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.		
10.	Proposed Authority to Allot and Issue Shares Pursuant to Section 132D of the Companies Act, 1965.		

(Please indicate with a cross (X) in the appropriate space above whether you wish your votes to be cast for or against the resolutions. In the absence of such specific directions, your proxy will vote or abstain as he thinks fit).

Dated this ________ day of ____________________ 2011

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	No of shares	Percentage (%)
Proxy 1		
Proxy 2		
TOTAL		

____

Signature / Common Seal of appointer

Notes:

1. A member of the Company (except if the member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991) shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. The Form of Proxy must be signed by the appointer of the proxy, or its attorney duly authorised in writing. In the case of a corporation, the Form of Proxy shall be executed under its common seal, or signed by its attorney duly authorised in writing or by a duly authorised officer on behalf of the corporation.
3. The Form of Proxy must be deposited at the Company's Share Registrar, Symphony Share Registrars Sdn Bhd (378993-D) at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty eight (48) hours before the time appointed for the holding of the meeting or any adjournment thereof.

Please fold here to seal

Malaysia Marine and Heavy Engineering Holdings Berhad
Annual General Meeting

STAMP

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House, Block D13,
Pusat Dagangan Dana 1, Jalan PJU 1A/46,
47301 Petaling Jaya, Selangor Darul Ehsan,
Malaysia

Please fold here to seal