

## 12. ACCOUNTANTS' REPORT



30 JUN 2023

The Board of Directors  
**KEYFIELD INTERNATIONAL BERHAD**  
B-31-02, Tower B, Pavilion Embassy  
No 200, Jalan Ampang  
50450 Kuala Lumpur.

Dear Sirs/Madams,

### REPORTING ACCOUNTANT'S OPINION ON THE FINANCIAL INFORMATION CONTAINED IN THE ACCOUNTANT'S REPORT OF KEYFIELD INTERNATIONAL BERHAD

#### OPINION

We have audited the financial information of Keyfield International Berhad ("Keyfield") and its subsidiaries ("the Group") which comprise the consolidated statements of financial position as at 31 December 2020, 2021 and 2022 and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the financial years ended ("FYE") 31 December 2020, 2021 and 2022 and notes to the financial information, including a summary of significant accounting policies as set out on pages 4 to 109.

This historical financial information has been prepared for inclusion in the prospectus of Keyfield, in connection with the listing of and quotation for its entire enlarged issued share capital of Keyfield on the Main Market of Bursa Malaysia Securities Berhad. This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia ("SC") and is given for the purpose of complying with Chapter 10 of the Prospectus Guidelines and for no other purpose.

In our opinion, the financial information gives a true and fair view of the financial position of the Group as at 31 December 2020, 2021 and 2022 and of their financial performance and their cash flows for each of the FYE 31 December 2020, 2021 and 2022 in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.

#### BASIS FOR OPINION

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Reporting Accountant's Responsibilities for the Audit of the financial information section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

#### *Independence and Other Ethical Responsibilities*

We are independent of Keyfield in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**Crowe Malaysia PLT**  
201906000005 (LLP0018817-LCA) & AF 1018  
Chartered Accountants  
Level 16, Tower C, Megan Avenue II  
12, Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
Malaysia  
Main +6 03 2788 9999  
Fax +6 03 2788 9998  
[www.crowe.my](http://www.crowe.my)

**12. ACCOUNTANTS' REPORT (Cont'd)****DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION**

The Directors of Keyfield are responsible for the preparation of the financial information of Keyfield that gives a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial information that are free from material misstatement, whether due to fraud or error.

In preparing the financial information of Keyfield, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**REPORTING ACCOUNTANT'S RESPONSIBILITY FOR THE AUDIT OF FINANCIAL INFORMATION**

Our objectives are to obtain reasonable assurance about whether the financial information of Keyfield as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial information.

As a part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial information of Keyfield, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Keyfield's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Keyfield's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial information of Keyfield or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause Keyfield to cease to continue as a going concern.

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**12. ACCOUNTANTS' REPORT (Cont'd)**

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**REPORTING ACCOUNTANT'S RESPONSIBILITY FOR THE AUDIT OF FINANCIAL INFORMATION (CONT'D)**

- Evaluate the overall presentation, structure and content of the financial information of Keyfield, including the disclosures, and whether the financial information of Keyfield represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Keyfield to express an opinion on the financial information of Keyfield. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**RESTRICTION ON DISTRIBUTION AND USE**

This report is made solely to the Group for inclusion in the prospectus to be issued in relation to the proposed offering of the shares of Keyfield in connection with Keyfield's listing on Bursa Malaysia Securities Berhad and for no other purpose. We do not assume responsibility to any other person for the content of this report.

  
**Crowe Malaysia PLT**  
201906000005 (LLP0018817-LCA) & AF 1018  
Chartered Accountants

  
**Chin Kit Seong**  
03030/01/2025 J  
Chartered Accountant

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		<----- Audited ----->		
		<----- FYE 31 December ----->		
	Note	2020 RM'000	2021 RM'000	2022 RM'000
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Investment in an associate	4	250	254	229
Property, plant and equipment	5	160,476	232,971	368,567
Investment property	6	-	-	1,555
Right-of-use assets	7	265	14,261	19,068
Other investments		-	-	218
		<u>160,991</u>	<u>247,486</u>	<u>389,637</u>
<b>CURRENT ASSETS</b>				
Inventories	8	480	1,701	2,141
Trade receivables	9	22,660	64,889	88,008
Other receivables, deposits and prepayments	10	12,339	2,528	735
Current tax assets		580	150	72
Fixed deposits with licensed banks	11	2,711	6,179	6,240
Cash and bank balances		20,176	14,656	17,024
		<u>58,946</u>	<u>90,103</u>	<u>114,220</u>
<b>TOTAL ASSETS</b>		<u>219,937</u>	<u>337,589</u>	<u>503,857</u>

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)**

		<----- Audited -----> <----- FYE 31 December ----->		
	Note	2020 RM'000	2021 RM'000	2022 RM'000
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital	12	125,260	125,260	125,260
Non-cumulative non-redeemable convertible preference shares ("NCNRCPS")	13	-	-	-
Reserves	14	(1,528)	16,031	62,712
Equity attributable to owners of the Company		123,732	141,291	187,972
Non-controlling interests	15	-	3,391	4,365
<b>TOTAL EQUITY</b>		<b>123,732</b>	<b>144,682</b>	<b>192,337</b>
<b>NON-CURRENT LIABILITIES</b>				
Cumulative redeemable non-convertible preference shares ("CRNCPS")	16	-	15,563	136,778
Lease liabilities	17	88	8,802	8,040
Other payables	21	-	8,206	2,000
Borrowings	18	42,367	49,663	27,461
Deferred tax liabilities	19	7,954	14,836	29,634
		<b>50,409</b>	<b>97,070</b>	<b>203,913</b>
<b>CURRENT LIABILITIES</b>				
Trade payables	20	13,638	33,923	33,719
Other payables and accruals	21	10,151	12,907	7,338
CRNCPS	16	-	-	3,563
Lease liabilities	17	42	5,405	10,897
Borrowings	18	21,949	43,486	51,877
Current tax liabilities		16	116	213
		<b>45,796</b>	<b>95,837</b>	<b>107,607</b>
<b>TOTAL LIABILITIES</b>		<b>96,205</b>	<b>192,907</b>	<b>311,520</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>219,937</b>	<b>337,589</b>	<b>503,857</b>

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME**

		<----- Audited ----->		
		<----- FYE 31 December ----->		
	Note	2020 RM'000	2021 RM'000	2022 RM'000
REVENUE	22	75,231	139,756	236,204
COST OF SALES		(54,335)	(97,170)	(146,632)
GROSS PROFIT		20,896	42,586	89,572
OTHER INCOME		4,663	1,796	9,000
		25,559	44,382	98,572
ADMINISTRATIVE EXPENSES		(4,932)	(8,037)	(14,447)
OTHER EXPENSES		(1,619)	(1,924)	(6,559)
FINANCE COSTS		(1,358)	(3,723)	(8,722)
IMPAIRMENT LOSSES ON FINANCIAL ASSETS	23	(17)	(5,677)	(4,307)
GAIN ON DISSOLUTION OF A SUBSIDIARY		-	-	499
SHARE OF (LOSSES)/PROFITS OF AN EQUITY ACCOUNTED ASSOCIATE	4	(100)	4	(25)
PROFIT BEFORE TAXATION	24	17,533	25,025	65,011
INCOME TAX EXPENSE	25	(4,017)	(7,018)	(15,160)
PROFIT AFTER TAXATION		13,516	18,007	49,851
OTHER COMPREHENSIVE EXPENSES		(596)	(62)	(112)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		12,920	17,945	49,739

## 12. ACCOUNTANTS' REPORT (Cont'd)

### KEYFIELD INTERNATIONAL BERHAD CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

		<----- Audited ----->		
		<----- FYE 31 December ----->		
	Note	2020 RM'000	2021 RM'000	2022 RM'000
PROFIT AFTER TAXATION				
ATTRIBUTABLE TO:-				
Owners of the Company		13,516	17,621	48,877
Non-controlling interests		-	386	974
		<u>13,516</u>	<u>18,007</u>	<u>49,851</u>
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:-				
Owners of the Company		12,920	17,559	48,765
Non-controlling interests		-	386	974
		<u>12,920</u>	<u>17,945</u>	<u>49,739</u>
EARNINGS PER SHARE (SEN):	26			
- Basic		2.70	3.52	9.76
- Diluted		<u>2.70</u>	<u>3.52</u>	<u>9.76</u>

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

<----- Audited ----->					
			Non- distributable	Distributable	
			Foreign Exchange Translation Reserve	Retained Profits	Total Equity
	Note	Share Capital RM'000	NCNRCPS RM'000	RM'000	RM'000
<b>Balance at 1 January 2020</b>		10,000	33,000	(2,057)	25,009
Profit after taxation for the financial year		-	-	-	13,516
Other comprehensive expenses for the financial year:					
- foreign currency translation differences		-	-	(596)	-
Contributions by and distributions to owners of the Company:					
- dividend	27	-	-	-	(500)
- issuance of ordinary shares	12	135,261	-	-	-
- conversion of NCNRCPS into ordinary shares	13	33,000	(33,000)	-	-
- effect on internal reorganisation@	14(b)	(53,001)	-	-	(36,900)
Total transactions with owners		115,260	(33,000)	-	(37,400)
<b>Balance at 31 December 2020</b>		125,260	-	(2,653)	1,125

Note:-

@ - The effect of internal reorganisation arose from the reorganisation exercise as explained in Notes 12(d)(ii) and 14(b) to the consolidated financial statements.



**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT'D)**

<----- Audited ----->						
		Non- distributable	Distributable			
Note	Share Capital RM'000	Foreign Exchange Translation Reserve RM'000	Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non- controlling Interests RM'000	Total Equity RM'000
<b>Balance at 1 January 2021</b>	125,260	(2,653)	1,125	123,732	-	123,732
Profit after taxation for the financial year	-	-	17,621	17,621	386	18,007
Other comprehensive expenses for the financial year: - realisation of foreign currency translation differences arising from the capital reduction of a subsidiary	-	2,766	(2,828)	(62)	-	(62)
Contributions by owners of the Company:						
- changes in a subsidiary's ownership interests that do not result in a loss of control	15(a) -	-	-	-	3,000	3,000
- formation of a subsidiary	15(b) -	-	-	-	5	5
Total transactions with owners	-	-	-	-	3,005	3,005
<b>Balance at 31 December 2021</b>	125,260	113	15,918	141,291	3,391	144,682

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT'D)**

<----- Audited ----->						
		Non- distributable	Distributable			
	Note	Share Capital RM'000	Foreign Exchange Translation Reserve RM'000	Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non- Controlling Interests RM'000
<b>Balance at 1 January 2022</b>		125,260	113	15,918	141,291	3,391
Profit after taxation for the financial year		-	-	48,877	48,877	974
Other comprehensive expenses for the financial year:						
- foreign currency translation differences		-	(113)	-	(113)	-
Distributions to owners of the Company:						
- dividends	27	-	-	(2,083)	(2,083)	-
<b>Balance at 31 December 2022</b>		125,260	-	62,712	187,972	4,365

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
CONSOLIDATED STATEMENTS OF CASH FLOWS**

		<----- Audited -----> <----- FYE 31 December ----->		
	Note	2020 RM'000	2021 RM'000	2022 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation		17,533	25,025	65,011
Adjustments for:-				
Accretion of interest on CRNCPS		-	-	2,260
Allowance for impairment losses on trade receivables	23	-	5,128	4,307
Bad debts written off	23	17	549	-
Depreciation:				
- property, plant and equipment		4,084	8,802	18,864
- investment property		26	-	16
- right-of-use assets		35	2,063	6,489
Other interest expenses		1,358	3,550	8,194
Interest expense on lease liabilities		-	171	529
Share of losses/(profits) of an equity accounted associate		100	(4)	25
Net unrealised loss on foreign exchange		460	76	-
Dividend income:				
- associate		-	-	(98)
Fair value gain on CRNCPS		-	-	(7,282)
Gain on lease modification		-	-	(177)
Gain on disposal:				
- property, plant and equipment		-	(3)	-
- investment property		(91)	-	-
Gain on dissolution of a subsidiary		-	-	(499)
Interest income		(60)	(118)	(107)
Operating profit before working capital changes		23,462	45,239	97,532
Increase in inventories		(144)	(1,221)	(440)
Increase in trade and other receivables		(5,637)	(46,144)	(24,228)
(Decrease)/Increase in trade and other payables		(4,301)	25,946	(5,208)
Increase/(decrease) in amount owing to related parties		-	1,015	(1,015)
Decrease in amount owing to an associate		(262)	-	-
<b>CASH FROM OPERATIONS</b>		<b>13,118</b>	<b>24,835</b>	<b>66,641</b>
Interest paid		(1,358)	(3,623)	(3,932)
Income tax paid		(432)	(196)	(222)
Tax refunds		-	590	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>11,328</b>	<b>21,606</b>	<b>62,487</b>

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)**

		<----- Audited ----->		
		<----- FYE 31 December ----->		
	Note	2020 RM'000	2021 RM'000	2022 RM'000
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>				
Acquisition of a subsidiary, net of cash and cash equivalents acquired	28	-	-	448
Addition:				
- right-of-use assets	30(a)	(150)	-	-
- other investment		-	-	(218)
Interest income received		60	118	107
Proceeds from issuance of shares to non-controlling interests		-	5	-
Proceeds from disposal:				
- property, plant and equipment		-	30	250
- investment property		2,500	-	-
Purchase of property, plant and equipment	30(a)	(56,630)	(26,414)	(11,789)
(Increase)/Decrease in pledged fixed deposits with licensed banks		(166)	275	-
Net increase in fixed deposits restricted for use		-	(3,743)	(61)
Dividend received from an associate		-	-	98
<b>NET CASH FOR INVESTING ACTIVITIES</b>		<b>(54,386)</b>	<b>(29,729)</b>	<b>(11,165)</b>

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)**

		<----- Audited ----->		
		<----- FYE 31 December ----->		
	Note	2020 RM'000	2021 RM'000	2022 RM'000
<b>CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES</b>				
Dividend paid		(500)	-	(2,083)
Drawdown of term loans	30(b)	38,349	259	10,116
Net drawdown of revolving credits	30(b)	6,327	2,313	11,301
Proceeds from issuance of ordinary shares (Redemptions)/Proceeds from issuance of CRNCPS	30(b)	10,100	-	-
Advances from/(Repayment to) a shareholder		-	15,563	(15,563)
Repayment to directors		25,709	(5,021)	(4,946)
(Repayment to)/Advances from related parties		(202)	-	-
Advances from/(Repayment to) a third party	30(b)	(10,243)	4,507	(1,000)
Repayment of lease liabilities	30(b)	-	5,060	(5,206)
Repayment of term loans	30(b)	(20)	(1,982)	(6,389)
		(9,782)	(18,069)	(35,228)
<b>NET CASH FROM/(FOR) FINANCING ACTIVITIES</b>		<b>59,738</b>	<b>2,630</b>	<b>(48,998)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>16,680</b>	<b>(5,493)</b>	<b>2,324</b>
<b>EFFECTS OF FOREIGN EXCHANGE TRANSLATION</b>		<b>(1,084)</b>	<b>(27)</b>	<b>44</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		<b>4,580</b>	<b>20,176</b>	<b>14,656</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	30(c)	<b>20,176</b>	<b>14,656</b>	<b>17,024</b>

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****1. GENERAL INFORMATION**

On 30 November 2020, Keyfield International Berhad ("Keyfield" or "the Group") was incorporated as a private limited liability company to facilitate the proposed initial public offering. On 31 December 2020, Keyfield was converted from a private limited company to a public company limited by shares.

Keyfield entered into two separate Share Sale Agreements ("SSA") to undertake the following acquisitions:-

- 1.1 First SSA dated on 22 December 2020 to acquire 100% equity interests in Keyfield Marine Sdn. Bhd. ("Keyfield Marine") and Keyfield Endeavour Sdn. Bhd. ("Keyfield Endeavour") as disclosed in Note 36(d) to the consolidated financial statements; and
- 1.2 Second SSA dated on 23 December 2020 to acquire 100% equity interests in Keyfield Offshore Sdn. Bhd. ("Keyfield Offshore") as disclosed in Note 36(e) to the consolidated financial statements.

Keyfield Offshore was incorporated in Malaysia on 17 April 2013 under the Companies Act 1965 as a private company limited by shares.

Keyfield Offshore is principally engaged in vessel ownership, chartering of offshore support vessel, provision of catering services to passenger on board vessel, ship management, trading of marine equipment and other marine related activities.

On 7 May 2021, Maltiquest Sdn. Bhd. ("Maltiquest") had invested 10% of the equity interest in Keyfield Endeavour Sdn. Bhd. ("Keyfield Endeavour") resulted in Keyfield Endeavour became a 90%-owned subsidiary of Keyfield as disclosed in Note 36(i) to the consolidated financial statements.

On 1 November 2021, a 51%-owned subsidiary of Keyfield, Keyfield Geomarine Sdn. Bhd. ("Keyfield Geomarine") was incorporated. Keyfield subscribed for a total of 5,100 ordinary shares of RM1 each in Keyfield Geomarine for a total investment cost of RM5,100, with the balance held by a non-controlling interest (Helms Geomarine Sdn. Bhd.) as disclosed in Note 36(m) to the consolidated financial statements.

On 12 January 2022, a wholly-owned subsidiary of the Company, Keyfield Serenity Sdn. Bhd. ("Keyfield Serenity") was incorporated. The Company subscribed for a total of 100,000 ordinary shares of RM1 each in Keyfield Serenity for a total investment cost of RM100,000 as disclosed in Note 36(q) to the consolidated financial statements.

On 18 February 2022, Keyfield entered into a Sale and Purchase Agreement with Lavin Group Sdn. Bhd. ("Lavin") to acquire 100% equity interest in Keyfield Resolute Sdn. Bhd. ("Keyfield Resolute") for a total purchase consideration of RM12,500,000 which was satisfied through the issuance of 50,000,000 new 3-year CRNCPS in Keyfield for a total value of RM12,500,000 to Lavin. The acquisition was completed on even date as disclosed in Note 36(t) to the consolidated financial statements. The acquisition of Keyfield Resolute was deemed as an acquisition of assets (vessels) that does not constitute as a business, therefore MFRS 3 Business Combinations does not apply. No goodwill or bargain purchase is recognised.

On 7 December 2022, Keyfield Marine Limited, a wholly-owned subsidiary of Keyfield Offshore was struck off pursuant to section 151(4) of the Labuan Companies Act 1990 as disclosed in Note 36(x) to the consolidated financial statements.

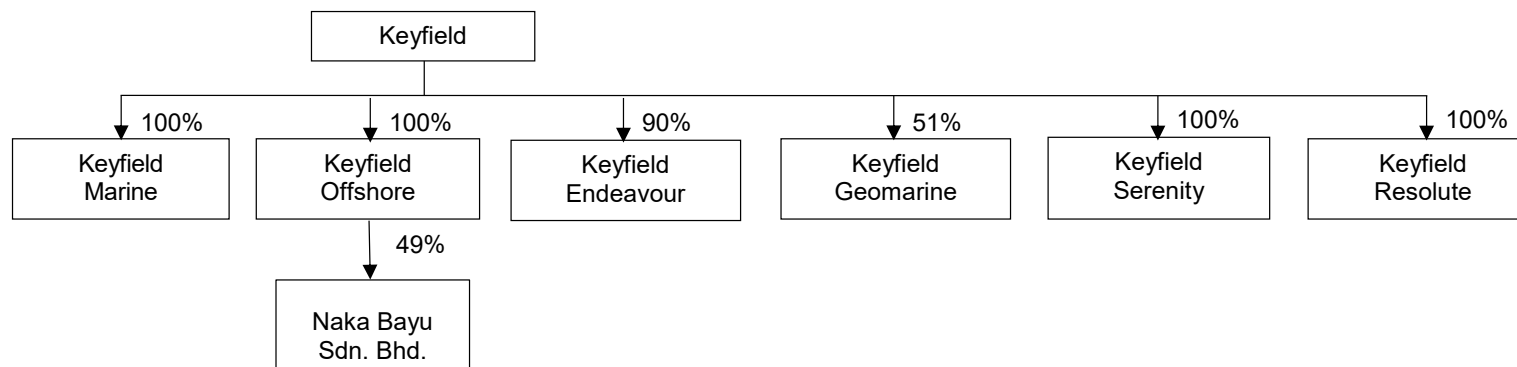
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**12. ACCOUNTANTS' REPORT (Cont'd)**

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**KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****1. GENERAL INFORMATION (CONT'D)**

Keyfield's group structure as at 31 December 2022 is as follows:-



**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****2. BASIS OF PREPARATION**

- 2.1 The financial statements of the Group, comprising the financial statements of Keyfield and its subsidiaries, are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.
- 2.2 The Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any) in the following financial years:-

**MFRSs and/or IC Interpretations (Including The Consequential Amendments)****Effective Date****FYE 31 December 2020:-**

Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

**FYE 31 December 2021:-**

Amendment to MFRS 16: Covid-19-Related Rent Concessions	1 June 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform - Phase 2	1 January 2021

**FYE 31 December 2022:-**

Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendment to MFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022

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



**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****2. BASIS OF PREPARATION (CONT'D)**

- 2.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for FYE 31 December 2022:-

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

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

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES****3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS***Key Sources of Estimation Uncertainty*

Management believes that there are no key assumptions made 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 other than as disclosed below:-

**(a) Impairment of Property, Plant and Equipment and Right-of-use Assets**

The Group determines whether an item of its property, plant and equipment and right-of-use assets, is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates.

**(b) Impairment of Trade Receivables**

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables.

*Critical Judgements Made in Applying Accounting Policies*

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

**(a) Classification between Investment Properties and Owner-occupied Properties**

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

## 12. ACCOUNTANTS' REPORT (Cont'd)

### KEYFIELD INTERNATIONAL BERHAD NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

###### *Critical Judgements Made in Applying Accounting Policies (Cont'd)*

###### (b) Lease Terms

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

##### 3.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

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

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.2 BASIS OF CONSOLIDATION (CONT'D)****(a) Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

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

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

**(b) Entities Under Common Control**

Acquisition of entity under a reorganisation scheme does not result in any change in economic substance. Accordingly, the financial statements of the Company are a continuation of the acquired entity and is accounted for as follows:-

- (i) the results of entities are presented as if the reorganisation occurred from the beginning of the earliest period presented in the financial statements;
- (ii) the Company will consolidate the assets and liabilities of the acquired entities at their pre-combination carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the reorganisation that would otherwise be done under the acquisition method; and
- (iii) no goodwill is recognised as a result of the reorganisation. Any difference between the consideration paid/transferred and the equity acquired is adjusted against suitable reserves.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.2 BASIS OF CONSOLIDATION (CONT'D)****(a) Non-controlling Interests**

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

**(b) Changes in Ownership Interests in Subsidiaries Without Change of Control**

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in the equity of the Group.

**(c) Loss of Control**

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value of the initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate.

## **12. ACCOUNTANTS' REPORT (Cont'd)**

### **KEYFIELD INTERNATIONAL BERHAD NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **3.3 FUNCTIONAL AND FOREIGN CURRENCIES**

###### **(a) Functional and Presentation Currency**

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

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

###### **(b) Foreign Currency Transactions and Balances**

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

##### **3.4 FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 5 at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.4 FINANCIAL INSTRUMENTS (CONT'D)****(a) Financial Assets**

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

*Debt Instrument***(i) Amortised Cost**

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

**(ii) Fair Value through Other Comprehensive Income**

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

**(iii) Fair Value through Profit or Loss**

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

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.4 FINANCIAL INSTRUMENTS (CONT'D)****(a) Financial Assets (Cont'd)***Equity Instruments*

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

**(b) Financial Liabilities****(i) Financial Liabilities at Fair Value through Profit or Loss**

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value (excluding interest expense) of these financial liabilities are recognised in profit or loss.

**(ii) Other Financial Liabilities**

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).



**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.4 FINANCIAL INSTRUMENTS (CONT'D)****(b) Financial Liabilities****(iii) Cumulative Redeemable Non-convertible Preference Shares ("CRNCPS")**

Preference shares are classified as financial liabilities if they are redeemable on a specific date or at the option of the preference share holders, or if dividend payments are not discretionary.

CRNCPS are classified as financial liabilities in accordance with the substance of the contractual arrangement of the instruments. The CRNCPS are measured at amortised cost using the effective interest method.

Dividends to holders of the CRNCPS are recognised as financial costs on an accrual basis.

**(c) Equity Instruments**

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

**(i) Ordinary Shares**

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

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

**(ii) Non-cumulative Redeemable Convertible Preference Shares ("NCRCPs") and Cumulative Redeemable Convertible Preference Shares ("CRCPS")**

Preference shares are classified as equity if they are non-redeemable, or are redeemable but only at the Company's option, and any dividends are discretionary.

NCRCPs and CRCPS are classified as equity in accordance with the substance of the contractual agreement of the instruments. Dividends on NCRCPs and CRCPS are recognised as distributions within equity.

## **12. ACCOUNTANTS' REPORT (Cont'd)**

### **KEYFIELD INTERNATIONAL BERHAD NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **3.4 FINANCIAL INSTRUMENTS (CONT'D)**

###### **(d) Derecognition**

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

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

###### **(e) 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 in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a 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 amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

## **12. ACCOUNTANTS' REPORT (*Cont'd*)**

### **KEYFIELD INTERNATIONAL BERHAD NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **3.5 INVESTMENTS IN ASSOCIATES**

An associate is an entity in which the Group has a long-term equity interest and where it exercises significant influence over the financial and operating policies.

The investment in an associate is accounted for in the consolidated financial statements using the equity method based on the financial statements of the associate. The Group's share of the post acquisition profits and other comprehensive income of the associate is included in the consolidated statements of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's investment in the associate is carried in the consolidated statements of financial position at cost plus the Group's share of the post acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation. The interest in the associate is the carrying amount of the investment in the associate determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate.

Unrealised gains or losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 9. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.6 PROPERTY, PLANT AND EQUIPMENT**

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to the initial recognition, all property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use. Cost of capital work-in-progress includes direct cost, related expenditure and interest cost on borrowings taken to finance the acquisition of the assets to the date that the assets are completed and put into use.

Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Vessels	Over the remaining useful life of up to 25 years
Vessel equipment	20%
Dry docking expenditure	20%
Motor vehicles	20%
Office equipment	20%
Renovation	20%

Dry docking expenditure represents major inspection and overhaul costs and is depreciated to reflect the consumption of benefits, which are to be replaced or restored by the subsequent dry docking, generally every five years.

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

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

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**12. ACCOUNTANTS' REPORT (Cont'd)**

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**KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.6 PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

**3.7 INVESTMENT PROPERTIES**

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

Investment properties which are owned are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The right-of-use asset held under a lease contract that meets the definition of investment property is measured initially similarly as other right-of-use assets.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on a straight-line method over the estimated useful lives of the investment properties. The estimated useful lives of the investment properties are 50 years.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.8 LEASES**

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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the consolidated statements of financial position.

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

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

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

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

**3.9 INVENTORIES**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out method and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.10 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

**3.11 IMPAIRMENT****(a) Impairment of Financial Assets**

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost as well as trade receivables.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.11 IMPAIRMENT (CONT'D)****(b) Impairment of Non-financial Assets**

The carrying values of assets, other than those to which MFRS 136 does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**3.12 PROVISIONS**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.



## 12. ACCOUNTANTS' REPORT *(Cont'd)*

### KEYFIELD INTERNATIONAL BERHAD NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 3.13 EMPLOYEE BENEFITS

###### (a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss, in the period in which the associated services are rendered by employees of the Group.

###### (b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

##### 3.14 INCOME TAXES

###### (a) Current Tax

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

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

###### (b) Deferred Tax

Deferred tax is recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

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

## **12. ACCOUNTANTS' REPORT (Cont'd)**

### **KEYFIELD INTERNATIONAL BERHAD NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **3.14 INCOME TAXES (CONT'D)**

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

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

##### **3.15 OPERATING SEGMENTS**

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

##### **3.16 EARNINGS PER ORDINARY SHARE**

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

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

##### **3.17 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

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

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**12. ACCOUNTANTS' REPORT (Cont'd)**

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**KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.18 FAIR VALUE MEASUREMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;
- Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

## 12. ACCOUNTANTS' REPORT (Cont'd)

### KEYFIELD INTERNATIONAL BERHAD NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 3.19 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:-

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

##### (a) Services rendered

Revenue from providing services is recognised over time in the period in which the services are rendered.

Customers are invoiced on a monthly basis and consideration is payable when invoiced.

##### 3.20 REVENUE FROM OTHER SOURCES AND OTHER INCOME

##### (a) Interest Income

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

##### (b) Dividend Income

Dividend income from investment is recognised when the right to receive dividend payment is established.

##### (c) Rental Income

Rental income from investment properties is accounted for on a straight-line method over the lease term.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****4. INVESTMENT IN AN ASSOCIATE**

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	RM'000	RM'000	RM'000
Unquoted shares, at cost	122	122	123
Share of post-acquisition reserves	128	132	106
	<u>250</u>	<u>254</u>	<u>229</u>

The details of the associate are as follows:-

Name of Associate	Principal Place of Business/Country of Incorporation	Percentage of Ownership			Principal Activities
		31 December	FYE	FYE	
		2020	2021	2022	
		%	%	%	
<i>Associate of Keyfield Offshore</i>					
Naka Bayu Sdn. Bhd.	Malaysia	49	49	49	Chartering of tug boat and marine security related activities - temporarily inactive during the financial year.

The summarised financial information has not been presented as the associate is not individually material to the Group.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****5. PROPERTY, PLANT AND EQUIPMENT**

	----- Audited ----->							
	Vessels RM'000	Vessel equipment RM'000	Motor vehicles RM'000	Dry docking RM'000	Office equipment RM'000	Renovation RM'000	Capital work-in- progress RM'000	Total RM'000
<i>Carrying Amount</i>								
At 1 January 2020	89,508	62	66	-	35	9	595	90,275
Additions	73,009	621	15	-	39	-	601	74,285
Depreciation charges	(4,000)	(34)	(41)	-	(6)	(3)	-	(4,084)
At 31 December 2020/ 1 January 2021	158,517	649	40	-	68	6	1,196	160,476
Additions	78,540	2,328	-	-	190	7	259	81,324
Disposal	-	-	(27)	-	-	-	-	(27)
Depreciation charges	(8,463)	(300)	(2)	-	(34)	(3)	-	(8,802)
At 31 December 2021/ 1 January 2022	228,594	2,677	11	-	224	10	1,455	232,971
Additions	68,624	5,419	605	3,493	125	2	116	78,384
Disposal	-	-	(550)	-	-	-	-	(550)
Transfer to investment property (Note 6)	-	-	-	-	-	-	(1,571)	(1,571)
Dissolution of a subsidiary (Note 29)	342	-	-	-	-	-	-	342
Acquisition of a subsidiary (Note 28)	76,023	1,832	-	-	-	-	-	77,855
Depreciation charges	(16,754)	(1,605)	(7)	(422)	(72)	(4)	-	(18,864)
At 31 December 2022	356,829	8,323	59	3,071	277	8	-	368,567

**12. ACCOUNTANTS' REPORT (Cont'd)**
**KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	----- Audited ----->							
	Vessels RM'000	Vessel equipment RM'000	Motor vehicles RM'000	Dry docking RM'000	Office equipment RM'000	Renovation RM'000	Capital work-in- progress RM'000	Total RM'000
At 31 December 2020								
At cost	170,430	705	282	-	275	14	1,196	172,902
Accumulated depreciation	(11,913)	(56)	(242)	-	(207)	(8)	-	(12,426)
Carrying amount	158,517	649	40	-	68	6	1,196	160,476
At 31 December 2021								
At cost	248,970	3,033	222	-	465	21	1,455	254,166
Accumulated depreciation	(20,376)	(356)	(211)	-	(241)	(11)	-	(21,195)
Carrying amount	228,594	2,677	11	-	224	10	1,455	232,971
At 31 December 2022								
At cost	393,959	10,284	277	3,493	590	23	-	408,626
Accumulated depreciation	(37,130)	(1,961)	(218)	(422)	(313)	(15)	-	(40,059)
Carrying amount	356,829	8,323	59	3,071	277	8	-	368,567

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

- (a) The carrying amounts of property, plant and equipment of the Group which have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 18 to the consolidated financial statements were as follows:-

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	RM'000	RM'000	RM'000
Vessels	158,517	171,298	165,524
Capital work-in-progress	1,196	1,455	-
	<u>159,713</u>	<u>172,753</u>	<u>165,524</u>

- (b) On 19 August 2020, a Shipbuilding Contract was novated to Keyfield Marine by a related party for the purchase of a vessel, namely Laguna Setia 2. The vessel was delivered and recognised as asset on 28 September 2020 as disclosed in Note 36(b) to the consolidated financial statements. As at the end of FYE 31 December 2020, the vessel was not yet available for use and accordingly, the depreciation of Laguna Setia 2 had only begun in FYE 31 December 2021.
- (c) On 11 October 2021, Keyfield Offshore entered into a Shipbuilding contract with Vantage Construction (Hong Kong) Co. ("Vantage"), Limited for the construction of a vessel, namely Keyfield Kindness, for a total purchase consideration of USD4,250,000. The vessel was delivered and recognised as an asset on 9 November 2021 as disclosed in Note 36(l) to the consolidated financial statements. As at the end of FYE 31 December 2021, the vessel was not yet available for use and accordingly, the depreciation of Keyfield Kindness had only begun in FYE 31 December 2022.
- (d) Dry docking represents capitalisation of expenditure incurred on major inspection and overhaul for certain vessels of the Group.
- (e) Capital work-in-progress represented building under construction which was not ready for commercial use at the end of FYE 31 December 2020 and FYE 31 December 2021.



**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****6. INVESTMENT PROPERTY**

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	2020	2021	2022
	RM'000	RM'000	RM'000
Building, at cost:-			
At 1 January	2,585	-	-
Transfer from property, plant and equipment (Note 5)	-	-	1,571
Disposal	(2,585)	-	-
At 31 December	-	-	1,571
Accumulated depreciation:-			
At 1 January	(150)	-	-
Depreciation charge	(26)	-	(16)
Disposal	176	-	-
At 31 December	-	-	(16)
	-	-	1,555

- (a) The investment property of the Group has been pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Notes 18(a)(iv) and 18(a)(v) to the consolidated financial statements.
- (b) The investment property in FYE 31 December 2020 had been disposed on 12 August 2020 for a cash consideration of RM2,500,000.
- (c) The fair value of the investment property as at the end of FYE 31 December 2022 was estimated at approximately RM1,900,000 (2021 - Nil), which is within level 3 fair value hierarchy. The fair value is arrived at based on directors' assessment of the current price in an active market of comparable property within its vicinity and adjustment is then made for differences in location, size, facilities available, market conditions and other factors in order to arrive at a common basis.
- (d) The investment property is leased to a customer under an operating lease with rental payables monthly. The lease contains initial non-cancellable period of 3 years and an option that is exercisable by the customer to extend its lease for further 3 years.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****6. INVESTMENT PROPERTY (CONT'D)**

The future minimum rental receivables under the non-cancellable operating lease at the end of the reporting period were as follows:-

	<----- Audited -----> <----- FYE 31 December ----->		
	2020 RM'000	2021 RM'000	2022 RM'000
Within 1 year	-	-	96
Between 1 and 2 years	-	-	96
Later than 3 years	-	-	72
	<u>-</u>	<u>-</u>	<u>264</u>

**7. RIGHT-OF-USE ASSETS**

	<----- Audited ----->			
	Vessels RM'000	Offices RM'000	Motor vehicle RM'000	Total RM'000
<i>Carrying amount</i>				
At 1 January 2020	-	-	-	-
Addition	-	-	300	300
Depreciation charge	-	-	(35)	(35)
At 31 December 2020/ 1 January 2021	-	-	265	265
Additions	15,756	303	-	16,059
Depreciation charges	(1,969)	(49)	(45)	(2,063)
At 31 December 2021/ 1 January 2022	13,787	254	220	14,261
Additions	21,363	-	-	21,363
Modification of lease liabilities	(10,067)	-	-	(10,067)
Depreciation charges	(6,248)	(196)	(45)	(6,489)
At 31 December 2022	<u>18,835</u>	<u>58</u>	<u>175</u>	<u>19,068</u>

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****7. RIGHT-OF-USE ASSETS (CONT'D)**

- (a) The Group leases certain vessels, offices and motor vehicle of which the leasing activities are summarised below:-
- (i) Vessels                      The Group entered into 1 - 3 years non-cancellable Bareboat Charter Agreement.
  - (ii) Offices                      The Group leases two office units for 1 to 2 years, with an option to renew the lease at the end of tenancy period.
  - (iii) Motor vehicle              The Group leases a motor vehicle under hire purchase arrangement. The lease is secured by the leased asset. The Group has an option to purchase the asset at the expiry of the lease period at an insignificant amount.
- (b) The Group also has certain leases with lease terms of less than 12 months and lease of office equipment with low value. The Group has applied the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

**8. INVENTORIES**

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	RM'000	RM'000	RM'000
Consumables	480	1,701	2,141
Recognised in profit or loss:-			
Inventories recognised in cost of sales	144	2,849	6,510

Consumables represent marine gas oil ("MGO").

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****9. TRADE RECEIVABLES**

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	RM'000	RM'000	RM'000
Trade receivables	22,660	70,017	96,624
Allowance for impairment losses	-	(5,128)	(8,616)
	<u>22,660</u>	<u>64,889</u>	<u>88,008</u>
Allowance for impairment losses:			
At 1 January	-	-	(5,128)
Addition during the financial year (Note 23)	-	(5,128)	(4,307)
Written off during the financial year (Note 23)	-	-	819
At 31 December	<u>-</u>	<u>(5,128)</u>	<u>(8,616)</u>

The Group's normal trade credit terms are as follows:-

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	Days	Days	Days
Credit terms	<u>30 - 60</u>	<u>30 - 120</u>	<u>30 - 120</u>

Other credit terms are assessed and approved on a case-by-case basis which include back-to-back arrangement i.e. the Group will receive payment when its customers received theirs.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	2020	2021	2022
	RM'000	RM'000	RM'000
Other receivables	1,716	313	25
Advances to suppliers	2,153	-	-
Deposits	8,238	250	327
Prepayments	232	1,965	383
	<u>12,339</u>	<u>2,528</u>	<u>735</u>

- (a) Included in other receivables at the end of FYE 31 December 2020 and FYE 31 December 2021 was a total amount of approximately RM1,710,000 and RM242,000 respectively, being charter income receivables from POET Shipbuilding & Engineering Pte. Ltd. ("POET"), as compensation on the late delivery of a vessel, namely Keyfield Falcon. The vessel was delivered on 13 February 2021 as disclosed in Note 36(c) to the consolidated financial statements.
- (b) Advances to suppliers represented payments made to third-party vessel suppliers for chartering services and purchase of vessel equipment.
- (c) Included in deposits at the end of FYE 31 December 2020 was an amount paid of USD1,950,000 (equivalent to approximately RM8,096,000), for the purchase of Keyfield Falcon for a total purchase consideration of USD14,500,000, as disclosed in Note 36(c) to the consolidated financial statements. The purchase of Keyfield Falcon had been subsequently completed and the vessel was delivered on 13 February 2021.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****11. FIXED DEPOSITS WITH LICENSED BANKS**

	<----- Audited -----> <----- FYE 31 December ----->		
	2020 RM'000	2021 RM'000	2022 RM'000
Fixed deposits with licensed banks	2,711	6,179	6,240
(a) The fixed deposit with licensed bank of the Group which has been pledged to licensed bank as security for banking facilities granted to the Group as disclosed in Notes 18(a)(vi) and (b)(iv) to the consolidated financial statements was as follows:-			
	<----- Audited -----> <----- FYE 31 December ----->		
	2020 RM'000	2021 RM'000	2022 RM'000
Fixed deposit pledged	2,711	2,436	2,436
(b) The fixed deposit with licensed bank of the Group which is restricted for use in relation to Term Loan VIII, as disclosed in Note 18(a)(x) to the consolidation financial statements was as follows:-			
	<----- Audited -----> <----- FYE 31 December ----->		
	2020 RM'000	2021 RM'000	2022 RM'000
Fixed deposit restricted for use	-	3,743	3,804
(c) The effective interest rates of the fixed deposits at the end of the reporting period were as follows:-			
	<----- Audited -----> <----- FYE 31 December ----->		
	2020 %	2021 %	2022 %
Effective interest rates	1.60 - 2.10	1.85 - 1.90	2.10 - 3.20
(d) The maturity periods of the fixed deposits were as follows:-			
	<----- Audited -----> <----- FYE 31 December ----->		
	2019 Month	2021 Month	2022 Month
Maturity periods	3 - 12	3 - 12	3 - 12

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****12. SHARE CAPITAL**

	<----- Audited -----> <----- FYE 31 December ----->		
	2020	2021	2022
<b>Ordinary Shares</b>			
	Number Of Shares ('000)		
Issued and fully paid-up			
At 1 January	250,520	250,520	501,040
Share split	-	250,520	-
At 31 December	250,520	501,040	501,040
	RM'000	RM'000	RM'000
Issued and fully paid-up	10,000	125,260	125,260

- (a) The holders of ordinary shares are entitled to receive dividends as and when declared by the Group and are entitled to one vote per ordinary share at meetings of the Group. The ordinary shares have no par value.
- (b) On 28 February 2020, Keyfield Offshore had converted its entire 33,000,000 NCNRCPS amounted to RM33,000,000 into ordinary shares, as disclosed in Note 13 to the consolidated financial statements.
- (c) On 24 August 2020, Keyfield Offshore increased its issued and paid-up share capital by issuance of 14,750,000 new ordinary shares for a cash consideration of RM10,000,500.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****12. SHARE CAPITAL (CONT'D)**

- (d) On 30 November 2020, Keyfield was incorporated with a total paid-up share capital of RM2 comprising 2 ordinary shares.

Keyfield had undertaken the following internal reorganisation exercise as disclosed in Notes 36(d) and 36(e) to the consolidated financial statements:-

- (i) On 22 December 2020, Keyfield entered into first SSA to acquire 100% equity interests in Keyfield Marine and Keyfield Endeavour comprising 1 ordinary share each for a purchase consideration of RM1, respectively; and
- (ii) On 23 December 2020, Keyfield entered into second SSA to acquire 100% equity interests in Keyfield Offshore comprising 57,750,000 ordinary shares for a purchase consideration of RM89,999,999, which was settled by issuance of 179,999,998 new ordinary shares at an issue price of RM0.50 per ordinary shares in Keyfield.

The details of Keyfield's acquisition of equity interests in Keyfield Offshore are as follows:-

	Number of shares acquired ( '000)	Purchase consideration  RM'000
Shareholders (Note 31(b))	20,050	31,247
Directors (Note 31(b))	37,700	58,753
	<u>57,750</u>	<u>90,000</u>

Upon completion of the above acquisitions, the share capital of Keyfield had increased from RM2 comprising 2 ordinary shares to RM90,000,001 comprising 180,000,000 ordinary shares.

- (e) On 28 December 2020, Keyfield had further increased its issued and paid-up share capital by:-
- (i) Issuance of 41,000,000 new ordinary shares through capitalisation of debts owing to a shareholder amounted to RM20,500,000 as disclosed in Note 36(f) to the consolidated financial statements; and
- (ii) Issuance of 29,520,000 new ordinary shares through capitalisation of debts owing to a related party amounted to RM14,760,000 as disclosed in Note 36(g) to the consolidated financial statements.
- (f) On 27 December 2021, Keyfield subdivided its shares 250,520,000 ordinary shares to into 501,040,000 ordinary shares.

The new ordinary shares issued rank equally in all respects with the existing ordinary shares of the Keyfield.



## 12. ACCOUNTANTS' REPORT (Cont'd)

### KEYFIELD INTERNATIONAL BERHAD NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 13. NCNRCPS

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	2019	2020	2022
NCNRCPS			
	Number Of Shares ('000)		
At 1 January	33,000	-	-
Conversion of NCNRCPS into ordinary shares	(33,000)	-	-
At 31 December	-	-	-
	RM'000	RM'000	RM'000
At 1 January	33,000	-	-
Conversion of NCNRCPS into ordinary shares	(33,000)	-	-
At 31 December	-	-	-

- (a) The NCNRCPS were converted into ordinary shares in Keyfield Offshore in FYE 31 December 2020 as disclosed in Note 12(b) to the consolidated financial statements.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****13. NCNRCPS (CONT'D)**

- (b) The salient features of NCNRCPS were as follows:-
- |        |   |  |
|--------|---|--|
| (i)    | Tenure  | No fixed tenure.   |
| (ii)   | Dividends   | The NCNRCPS do not carry a right to receive any dividends.   |
| (iii)  | Conversion rights   | The NCNRCPS shall be convertible, at the option of the holder, at any time during the conversion period, into such number of fully-paid Keyfield Offshore shares as is determined by dividing the issue price by the conversion price in effect at the time of conversion.   |
| (iv)   | Conversion price  | RM1.00   |
| (v)    | Conversion period   | At any time during the period commencing from the date of allotment and issuance of the NCNRCPS.   |
| (vi)   | Conversion mode   | The conversion of the NCNRCPS will not require any cash payment from the NCNRCPS holders. The conversion price shall be satisfied by the NCNRCPS holders surrendering the requisite number of NCNRCPS for cancellation by the Issuer.  |
| (vii)  | Ranking of the NCNRCPS                                      | The NCNRCPS shall rank pari passu amongst themselves.  |
| (viii) | Ranking of new shares pursuant to the conversion of NCNRCPS | The new shares to be issued upon conversion of the NCNRCPS shall rank pari passu in all respects with the then existing Keyfield Offshore shares, except that they shall not be entitled to participate in any dividends, rights, allotments and/or any other distributions that may be declared, made or paid, the entitlement date of which is prior to the date of allotment of the new shares. |
| (ix)   | Rights of the NCNRCPS holders                               | The NCNRCPS shall not carry any right to vote at any general meeting of Keyfield Offshore.   |
| (x)    | Governing law   | Malaysia.  |

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****14. RESERVES**

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	RM'000	RM'000	RM'000
Non-distributable:			
- Foreign exchange translation reserve (a)	(2,653)	113	-
Distributable:			
- Retained profits (b)	1,125	15,918	62,712
	<u>(1,528)</u>	<u>16,031</u>	<u>62,712</u>

- (a) The foreign exchange translation reserve arose from the translation of the financial statements of a former subsidiary whose functional currency is different from the Group's presentation currency.
- (b) The retained profits is net of reorganisation deficit arose from the acquisition of Keyfield Offshore, Keyfield Marine and Keyfield Endeavour in FYE 31 December 2020 as follows:-

	Keyfield Offshore RM'000	Keyfield Marine RM'000	Keyfield Endeavour RM'000	Total RM'000
Cost of investment	90,000	*	*	90,000
Less: Share capital of subsidiaries	<u>(53,001)</u>	<u>(99)</u>	<u>(*)</u>	<u>(53,100)</u>
Reorganisation deficit/(reserve)	<u>36,999</u>	<u>(99)</u>	<u>-</u>	<u>36,900<sup>#</sup></u>

Notes:-

\* - Represents RM1.

# - The reorganisation deficit has been adjusted against retained earnings in FYE 31 December 2020.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****15. NON-CONTROLLING INTERESTS**

The non-controlling interests at the end of the reporting period comprise the following:-

	Effective Equity Interests %	<----- Audited -----> <----- FYE 31 December ----->		
		2020 RM'000	2021 RM'000	2022 RM'000
Keyfield Endeavour (a)	10	-	3,354	4,380
Keyfield Geomarine (b)	49	-	37	(15)
		-	3,391	4,365

- (a) On 7 May 2021, Keyfield Endeavour allotted additional 29,999,999 shares, of which 26,999,998 shares subscribed by Keyfield, 1 share subscribed by Keyfield Offshore and 3,000,000 shares subscribed by a non-controlling interest. Following the allotment, the shareholding of Keyfield in Keyfield Endeavour was diluted to 90% as disclosed in Note 36(i) to the consolidated financial statements.
- (b) On 1 November 2021, a 51%-owned subsidiary of Keyfield, Keyfield Geomarine, was incorporated. Keyfield subscribed for a total of 5,100 Ordinary shares in Keyfield Geomarine and 4,900 ordinary shares subscribed by a non-controlling interest as disclosed in Note 36(m) to the consolidated financial statements.
- (c) The summarised financial information of the non-controlling interest has not been presented as the non-controlling interests of the subsidiaries are not material to the Group.

**16. CRNCPS**

	<----- Audited -----> <----- FYE 31 December ----->		
	2020 RM'000	2021 RM'000	2022 RM'000
At 1 January	-	-	15,563
Issuance of new shares	-	15,563	141,800
Accretion of interest on CRNCPS (Note 24)	-	-	2,260
Fair value gain on CRNCPS (Note 24)	-	-	(7,282)
Redemption during the financial year	-	-	(15,563)
Interest expense recognised in profit or loss (Note 24)	-	-	4,256
Repayment of interest expense	-	-	(693)
At 31 December	-	15,563	140,341

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****16. CRNCPS (CONT'D)**

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	2020	2021	2022
	RM'000	RM'000	RM'000
Analysed by:			
Current liabilities	-	-	3,563
Non-current liabilities	-	15,563	136,778
At 31 December	-	15,563	140,341

- (a) On 24 November 2021, Keyfield Offshore issued 15,562,500 3-year CRNCPS at RM1 per CRNCPS ("CRNCPS I") as disclosed in Note 36(o) to the consolidated financial statements.

The salient features of CRNCPS I are as follows:-

- |       |  |   |
|-------|--|---|
| (i)   | Tenure   | Three years.  |
| (ii)  | Dividends  | The CRNCPS carry a dividend of 5% per annum, payable on a monthly basis. The dividend rights are cumulative.  |
| (iii) | Conversion rights  | The CRNCPS are non-convertible.   |
| (iv)  | Ranking of the CRNCPS                                      | The CRNCPS shall rank pari passu amongst themselves.  |
| (v)   | Ranking of new shares pursuant to the conversion of CRNCPS | No other preference shares shall be issued by Keyfield Offshore ranking prior to or equally with the CRNCPS nor the rights and privileges of the holders of such CRNCPS be altered. |
| (vi)  | Rights of the CRNCPS holders                               | The CRNCPS shall not carry any right to vote at any general meeting of Keyfield Offshore.   |
| (vii) | Governing law  | Malaysia.   |

CRNCPS I has been fully redeemed for RM15,562,500 during FYE 31 December 2022.

- (b) On 18 February 2022, Keyfield issued 260,000,000 3-year CRNCPS at RM0.25 per CRNCPS, as disclosed in Note 36(r) to the consolidated financial statements.
- (c) On 18 February 2022, Keyfield issued 50,000,000 3-year CRNCPS at RM0.25 per CRNCPS, as disclosed in Note 36(t) to the consolidated financial statements.
- (d) On 18 February 2022, Keyfield issued 260,000,000 3-year CRNCPS at RM0.25 per CRNCPS, as disclosed in Note 36(u)(i) to the consolidated financial statements.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****16. CRNCPS (CONT'D)**

- (e) The salient features of the CRNCPS referred to in Notes 16(b), (c) and (d) above are as follows:-
- |       |                              |  |
|-------|------------------------------|--|
| (i)   | Tenure                       | Three years.   |
| (ii)  | Dividends                    | The CRNCPS carry a dividend of 3% per annum, payable on a monthly basis. The dividend rights are cumulative. |
| (iii) | Conversion rights            | The CRNCPS are non-convertible.  |
| (iv)  | Ranking of the CRNCPS        | The CRNCPS shall rank pari passu amongst themselves.   |
| (v)   | Rights of the CRNCPS holders | The CRNCPS shall not carry any right to vote at any general meeting of Keyfield.                             |
| (vi)  | Governing law                | Malaysia.  |

**17. LEASE LIABILITIES**

	<b>&lt;----- Audited -----&gt;</b>		
	<b>&lt;----- FYE 31 December -----&gt;</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	-	130	14,207
Additions (Note 30(a))	150	16,059	21,363
Changes due to lease modification	-	-	(10,244)
Interest expense recognised in profit or loss (Note 24)	-	171	529
Repayment of principal	(20)	(1,982)	(6,389)
Repayment of interest expense	-	(171)	(529)
At 31 December	<u>130</u>	<u>14,207</u>	<u>18,937</u>
Analysed by:-			
Current liabilities	42	5,405	10,897
Non-current liabilities	88	8,802	8,040
	<u>130</u>	<u>14,207</u>	<u>18,937</u>

- (a) A lease liability of the Group is secured by the Group's motor vehicle under the hire purchase arrangement as disclosed in Note 7(a)(iii) to the consolidated financial statements, with lease term of 3 years.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****17. LEASE LIABILITIES (CONT'D)**

(b) The effective interest rates at the end of the reporting period were as follows:-

	<----- Audited -----> <----- FYE 31 December ----->		
	2020	2021	2022
	%	%	%
Leases	4.22	3.00 - 4.75	3.72 - 4.88

**18. BORROWINGS**

	<----- Audited -----> <----- FYE 31 December ----->		
	2020	2021	2022
	RM'000	RM'000	RM'000
Current liabilities:			
- term loans (a)	15,622	34,846	31,936
- revolving credits (b)	6,327	8,640	19,941
	21,949	43,486	51,877
Non-current liabilities:			
- term loans (a)	42,367	49,663	27,461
	64,316	93,149	79,338

**(a) Term Loans**

	<----- Audited -----> <----- FYE 31 December ----->		
	2020	2021	2022
	RM'000	RM'000	RM'000
Current liabilities	15,622	34,846	31,936
Non-current liabilities	42,367	49,663	27,461
	57,989	84,509	59,397

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****18. BORROWINGS (CONT'D)****(a) Term Loans (Cont'd)**

(i) The details of the term loans outstanding are summarised below:-

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	2020	2021	2022
	RM'000	RM'000	RM'000
<u>Floating rate term loans</u>			
I	226	110	-
II	1,321	1,562	1,684
III	33	27	22
IV	18,750	11,875	4,375
V	-	41,915	28,210
VI	-	-	5,966
VII	-	-	3,657
	<u>20,330</u>	<u>55,489</u>	<u>43,914</u>
<u>Fixed rate term loan</u>			
VIII	37,659	29,020	15,483
	<u>57,989</u>	<u>84,509</u>	<u>59,397</u>

(ii) The effective interest rates at the end of the reporting period were as follows:-

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	2020	2021	2022
	%	%	%
<u>Floating rate term loans</u>			
I	7.45	7.45	-
II	3.41	3.41	4.41
III	3.41	3.41	4.41
IV	4.30	4.30	5.28
V	-	2.60	6.64
VI	-	-	6.42
VII	-	-	6.42
	<u>-</u>	<u>-</u>	<u>6.42</u>
<u>Fixed rate term loan</u>			
VIII	5.20	5.20	5.20
	<u>5.20</u>	<u>5.20</u>	<u>5.20</u>

(iii) Term Loan I was:-

- repayable over 5 years by 60 monthly instalments of RM10,282 each commencing on May 2017; and
- secured by 70% guarantee coverage by the Government of Malaysia amounting to RM350,000 and a joint and several guarantee by two of the directors of the Company; and
- fully repaid during FYE 31 December 2022.



## 12. ACCOUNTANTS' REPORT (Cont'd)

### KEYFIELD INTERNATIONAL BERHAD NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 18. BORROWINGS (CONT'D)

##### (a) Term Loans (Cont'd)

- (iv) Term Loan II is:-
  - repayable over 25 years by 300 monthly instalments of RM9,632 each commencing on July 2022; and
  - secured by a unit of property and a joint and several guarantee by two of the directors of the Company.
- (v) Term Loan III is:-
  - repayable over 10 years by 120 monthly instalments of RM452 each commencing on July 2022; and
  - secured by a unit of property and a joint and several guarantee by two of the directors of the Company.
- (vi) Term Loan IV is:-
  - repayable over 4 years by 48 monthly instalments of RM625,000 each commencing on August 2019; and
  - secured by a corporate guarantee by a shareholder, a joint and several guarantee by two of the directors of the Company, a third party deed of covenant accompanying third party statutory legal mortgage over Laguna Setia 1 vessel and the Memorandum of Deposit over fixed deposits as disclosed in Note 11(a) to the consolidated financial statements.
- (vii) Term Loan V is:-
  - repayable over 3 years by 36 monthly instalments of RM806,000 each commencing on May 2021 and with a final instalment of RM15,314,000;
  - the facility is unsecured; and
  - obtained from Positive Boom Limited by Keyfield and utilised by Keyfield Endeavour to partially pay the purchase price of Keyfield Falcon vessel, as disclosed in Note 36(h) to the consolidated financial statements.
- (viii) Term Loan VI is:-
  - repayable over 4 years by 48 monthly instalments of RM148,625 commencing on November 2022; and
  - secured by specific debenture over Keyfield Kindness vessel, corporate guarantee by the Company, a joint and several guarantee by two of the directors of the Company and guarantee from Syarikat Jaminan Pembiayaan Perniagaan Berhad ("SJPP").
- (ix) Term Loan VII is:-
  - repayable over 4 years by 48 monthly instalments of RM91,093 commencing on November 2022; and
  - secured by specific debenture over Keyfield Kindness vessel, corporate guarantee by the Company, a joint and several guarantee by two of the directors of the Company and guarantee from SJPP.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****18. BORROWINGS (CONT'D)****(a) Term Loans (Cont'd)**

- (x) Term Loan VIII is:-
- repayable over 3 years by 33 monthly instalments of RM1,227,186 each commencing on May 2021;
  - secured by a corporate guarantee by a subsidiary, a joint and several guarantee by two of the directors of the Group and the First Preferred Mortgage on Laguna Setia 2 vessel financed by the term loan; and
  - imposed with a financial covenant that the subsidiary shall maintain the debt to equity ratio of not more than 4:1 at all times.

**(b) Revolving Credits**

- (i) The details of the revolving credits are summarised below:-

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	2020	2021	2022
	RM'000	RM'000	RM'000
<u>Floating rate revolving credits</u>			
I	3,005	3,005	2,655
II	3,322	4,896	17,286
III	-	739	-
	<u>6,327</u>	<u>8,640</u>	<u>19,941</u>

- (ii) The effective interest rates at the end of the reporting period were as follows:-

	<----- FYE 31 December ----->		
	2020	2021	2022
	%	%	%
	Audited	Audited	Audited
<u>Floating rate revolving credits</u>			
I	3.80	3.80	4.78
II	4.30	4.30	5.28
III	-	4.23	-

- (iii) Revolving credit I is secured by:-
- a facility agreement;
  - a joint and several guarantee by two of the directors of the Company;
  - an 80% guarantee coverage by SJPP under the Government Guarantee Scheme - Prihatin "GGS - Prihatin") of RM2,400,000; and
  - legal assignment of contract proceeds over the contract secured between borrower and lender to be channeled into a Designated Collection Account ("DCA") with the bank.

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**12. ACCOUNTANTS' REPORT (Cont'd)**

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**KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**18. BORROWINGS (CONT'D)**

**(b) Revolving Credits (Cont'd)**

- (iv) Revolving credit II is secured by:-
  - a facility agreement;
  - a joint and several guarantee by two of the directors of the Company;
  - second mortgage over a vessel;
  - supplemental legal assignment of contract proceeds related to a vessel;
  - supplemental legal assignment of insurances related to a vessel;
  - legal assignment of contract proceeds over all contracts secured with Petronas or other oil majors or main contractors using the third party vessels to be channeled into the DCA with the bank. This assignment is only applicable to contracts that are submitted for utilisation of the revolving credit facility;
  - debenture over fixed and floating assets of a subsidiary; and
  - Memorandum of Deposit over existing fixed deposit or any product under RHB Asset Management Sdn. Bhd. pledged to the bank as disclosed in Note 11(a) to the consolidated financial statements.
- (v) Revolving credit III was secured by:-
  - a facility agreement;
  - blanket assignment over contract proceeds from contract awarder by a subsidiary;
  - a corporate guarantee by the Company;
  - a joint and several guarantee by two of the directors of the Company; and
  - a first party second legal charge over a unit of property of a subsidiary.
- (vi) Revolving credits I and II are secured by a negative pledge that imposes certain covenants on a subsidiary. The significant covenant of the revolving credits is that the subsidiary's gearing shall not exceed 1.5 times at all times.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****19. DEFERRED TAX LIABILITIES**

	<b>&lt;----- Audited -----&gt;</b>		
	<b>&lt;----- FYE 31 December -----&gt;</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	RM'000	RM'000	RM'000
Deferred tax liabilities:			
- accelerated capital allowance on property, plant and equipment	7,954	14,836	29,634
	<b>&lt;----- Audited -----&gt;</b>		
	At	Acquisition	Recognised
	1 January	of subsidiary	In Profit
	RM'000	(Note 28)	Or Loss
		RM'000	(Note 25)
			RM'000
			At
			31 December
			RM'000
<b>FYE 31 December 2020</b>			
Deferred tax liabilities:			
- accelerated capital allowance on property, plant and equipment	4,039	-	3,915
	<b>&lt;----- Audited -----&gt;</b>		
	At	Acquisition	Recognised
	1 January	of subsidiary	In Profit
	RM'000	(Note 28)	Or Loss
		RM'000	(Note 25)
			RM'000
			At
			31 December
			RM'000
<b>FYE 31 December 2021</b>			
Deferred tax liabilities:			
- accelerated capital allowance on property, plant and equipment	7,954	-	6,882
	<b>&lt;----- Audited -----&gt;</b>		
	At	Acquisition	Recognised
	1 January	of subsidiary	In Profit
	RM'000	(Note 28)	Or Loss
		RM'000	(Note 25)
			RM'000
			At
			31 December
			RM'000
<b>FYE 31 December 2022</b>			
Deferred tax liabilities:			
- accelerated capital allowance on property, plant and equipment	14,836	35	14,763

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****20. TRADE PAYABLES**

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	2020	2021	2022
	RM'000	RM'000	RM'000
Trade payables:			
- third parties	13,638	32,908	33,719
- related parties	-	1,015	-
	<u>13,638</u>	<u>33,923</u>	<u>33,719</u>

The normal trade credit terms granted to the Group are as follows:-

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	2020	2021	2022
	Days	Days	Days
Credit terms	<u>30 - 60</u>	<u>30 - 60</u>	<u>30 - 60</u>

Other credit terms are assessed and approved on a case-by-case basis which include back-to-back arrangement i.e. the Group will make payment to the suppliers when its customers with corresponding back-to-back arrangement, made payment.

**21. OTHER PAYABLES AND ACCRUALS**

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	2020	2021	2022
	RM'000	RM'000	RM'000
Other payables:			
- third parties	2,700	11,422	5,762
- a related party	1,493	-	-
- a shareholder	5,021	4,165	-
	<u>9,214</u>	<u>15,587</u>	<u>5,762</u>
Accruals	937	3,302	2,906
Deposits received	-	2,224	670
	<u>10,151</u>	<u>21,113</u>	<u>9,338</u>

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****21. OTHER PAYABLES AND ACCRUALS (CONT'D)**

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	2020	2021	2022
	RM'000	RM'000	RM'000
Analysed by:-			
Current liabilities	10,151	12,907	7,338
Non-current liabilities	-	8,206	2,000
	<u>10,151</u>	<u>21,113</u>	<u>9,338</u>

- (a) Included in other payables at the end of FYE 31 December 2020 was an amount of approximately RM1,669,000, outstanding on purchase of a vessel, Laguna Setia 2. The amount was fully repaid during FYE 31 December 2021.
- (b) Included in other payables at the end of FYE 31 December 2021 was an amount of approximately RM5,206,000, being loan granted by a third party bearing interest of 1-month USD LIBOR plus 2.5% per annum. The amount was fully repaid during FYE 31 December 2022.
- (c) Included in other payables at the end of FYE 31 December 2021 and FYE 31 December 2022 was an amount of USD500,000 (equivalent to approximately RM2,091,750), outstanding to POET in relation to purchases of vessel equipment, spare parts and lubricants on board Keyfield Compassion vessel.
- (d) The amounts owing to a related party and a shareholder at the end of FYE 31 December 2020 and FYE 31 December 2021 were unsecured, interest-free and repayable on demand. The amounts owing have been settled in cash during FYE 31 December 2021 and FYE 31 December 2022, respectively.
- (e) Included in the other payables at the end of FYE 31 December 2021 and FYE 31 December 2022 was an amount approximately RM3,098,000 and RM2,000,000, respectively outstanding to a shareholder of a subsidiary which is repayable within 17 months from the end of the reporting period. Interest is charged at 5% per annum and is repayable on demand.

**22. REVENUE**

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	2020	2021	2022
	RM'000	RM'000	RM'000
<u>Revenue from Contracts with Customers</u>			
Rendering of offshore support services	<u>75,231</u>	<u>139,756</u>	<u>236,204</u>

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****23. IMPAIRMENT LOSS ON FINANCIAL ASSETS**

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	2020	2021	2022
	RM'000	RM'000	RM'000
Allowance for impairment losses:			
- trade receivables (Note 9)	-	5,128	4,307
Bad debts written off:			
- other receivables	17	549	-
	<u>17</u>	<u>5,677</u>	<u>4,307</u>

**24. PROFIT BEFORE TAXATION**

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	2020	2021	2022
	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):-			
Auditors' remuneration:			
- current year	106	94	180
- overprovision in the previous financial year	-	(21)	-
Accretion of interest on CRNCPS	-	-	2,260
Depreciation:			
- property, plant and equipment	4,084	8,802	18,864
- investment property	26	-	16
- right-of-use assets	35	2,063	6,489
Direct operating expenses on income generating investment property	64	-	4
Directors' fee	-	118	272
Directors' non-fee emoluments	2,078	1,801	2,732

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****24. PROFIT BEFORE TAXATION (CONT'D)**

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	2020	2021	2022
	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/ (crediting)(Cont'd):-			
Lease expense:			
- short-term leases	90	69	-
- low-value assets	2	2	3
Loss on foreign exchange:			
- realised	*	264	1,161
- unrealised	696	115	-
Staff costs (including key management personnel as disclosed in Note 31(b)):			
- salaries and bonus	4,670	9,988	14,705
- defined contribution plan	286	301	585
- other benefits	75	200	474
Interest expense on lease liabilities	-	171	529
Other interest expenses:			
- bank overdraft	21	6	-
- term loans	1,214	3,040	3,302
- hire purchase payable	-	-	1
- factoring	118	-	-
- revolving credits	5	271	476
- CRNCPS	-	-	4,256
- shareholder of a subsidiary	-	98	138
- a third party	-	135	21
Gain on disposal:			
- property, plant and equipment	-	(3)	-
- investment property	(91)	-	-
Interest income	(60)	(118)	(107)
Lease income	(79)	-	-
Gain on foreign exchange:			
- realised	(2,450)	(329)	(320)
- unrealised	(236)	(39)	-
Dividend income			
- associate	-	-	(98)
Lease income	-	-	(16)
Gain on lease modification	-	-	(177)
Gain on dissolution of a subsidiary	-	-	(499)
Fair value gain on CRNCPS	-	-	(7,282)

Note:-

\* - Represents amount lesser than RM1,000



**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****25. INCOME TAX EXPENSE**

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	2020	2021	2022
	RM'000	RM'000	RM'000
Current tax:			
- for the financial year	102	136	145
- underprovision in the previous financial year	-	*	252
	<u>102</u>	<u>136</u>	<u>397</u>
Deferred tax (Note 19):			
- origination and reversal of temporary differences	3,915	6,882	16,111
- overprovision in the previous financial year	-	-	(1,348)
	<u>3,915</u>	<u>6,882</u>	<u>14,763</u>
	<u>4,017</u>	<u>7,018</u>	<u>15,160</u>

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

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	2020	2021	2022
	RM'000	RM'000	RM'000
Profit before taxation	17,533	25,025	65,011
Tax at the statutory tax rate of 24%	4,208	6,006	15,603
Tax effects of:-			
Non-deductible expenses	225	1,333	555
Non-taxable income	(319)	(320)	93
Share of results in an associate	24	(1)	6
Differential in tax rates	(121)	-	-
Under/(Over)provision in the previous financial year:			
- current tax	-	*	252
- deferred tax	-	-	(1,348)
Income tax expense for the financial year	<u>4,017</u>	<u>7,018</u>	<u>15,160</u>

Note:-

\* - Represents amount lesser than RM1,000

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****26. EARNINGS PER SHARE**

The basic earnings per share is arrived at by dividing the Group's earnings attributable to owners of the Group for the financial year by the weighted average number of ordinary shares in issue during the financial year as follows:-

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	2020	2021	2022
Profit after taxation (RM'000)	13,516	17,621	48,877
Weighted average number of ordinary shares in issue ('000):			
Ordinary shares at 1 January	250,520 <sup>#</sup>	250,520	501,040
Effect of share split <sup>^</sup>	250,520	250,520	-
Weighted average number of ordinary shares in issue ('000)	501,040	501,040	501,040
Basic earnings per ordinary share (Sen)	2.70	3.52	9.76

The Group has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

Notes:-

<sup>^</sup> The comparative figure for the weighted average number of ordinary shares in issue has been restated to reflect the adjustment arising from share split, which was completed on 27 December 2021.

<sup>#</sup> The Company increased its issued and paid-up share capital from RM2 to RM90,000,001 comprising of 180,000,000 ordinary shares during FYE 31 December 2020, following internal reorganisation exercise as disclosed in Note 13(d) to the consolidated financial statements.

The number of ordinary shares used for the calculation of earnings per share in a common control combination which is accounted for under reorganisation scheme, is the aggregate of the weighted average number of shares of the entity whose shares are outstanding after the combination.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****27. DIVIDENDS**

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	RM'000	RM'000	RM'000
Interim dividend on ordinary shares:-			
In respect of the financial year ended 31 December 2020	500*	-	-
In respect of the financial year ended 31 December 2021	-	-	2,004
	<hr/>	<hr/>	<hr/>
Annual dividend on CRCPS			
In respect of the financial year ended 31 December 2021	-	-	29
In respect of the financial year ended 31 December 2022	-	-	50
	<hr/>	<hr/>	<hr/>
	-	-	79
	<hr/>	<hr/>	<hr/>

Note:-

- \* - The dividend was declared by Keyfield Offshore on 31 August 2020, which was prior to the incorporation of Keyfield on 30 November 2020. The dividend was paid on 23 December 2020 by Keyfield Offshore.

Save for the following banking restrictive covenants which the following subsidiaries are subject to, there are no legal, financial, or economic restriction on the ability of the subsidiaries to transfer funds to Keyfield in the form of cash dividends, loans or advances as at the date of this report:

- (i) Prior written consents from certain financial institutions for Keyfield Offshore to declare dividends to Keyfield; and
- (ii) Prior written consent from a certain financial institution for Keyfield Marine to declare dividends to Keyfield.

There is no debt covenant ratio which Keyfield or its subsidiaries needs to adhere to prior to declaring any dividends.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****28. ACQUISITION OF A SUBSIDIARY**

On 18 February 2022, Keyfield acquired 100% equity interests in Keyfield Resolute as disclosed in Note 36(t) to the consolidated financial statements.

The fair values of the identifiable assets acquired and liabilities assumed as at the date of acquisition were as follows:-

	<b>FYE 31 December 2022 RM'000 Audited</b>
Property, plant and equipment (Note 5)	77,855
Amount owing by a related company	1,405
Bank balance	448
Deferred tax liability (Note 19)	(35)
Other payables and accruals	(2,092)
Amount owing to a shareholder (Note 30 (b))	(65,781)
Net identifiable assets acquired	11,800
Total purchase consideration, settled by issuance of CRNCPS (Note 30(b))	(11,800)
Add: Cash and bank balances of a subsidiary acquired	448
Net cash inflow from the acquisition of a subsidiary	448

Pursuant to Paragraph 2(b) of MFRS 3 - Business Combinations, in the event of acquisition of an asset or group of assets that does not constitute a business, the acquirer shall identify and recognise the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in MFRS 138 - Intangible Assets) and liabilities assumed.

The acquisition of Keyfield Resolute was deemed as an acquisition of assets (vessels) that does not constitute as a business, therefore MFRS 3 Business Combinations does not apply. No goodwill or bargain purchase is recognised. The cost of the group shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values as at the date of purchase.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****28. ACQUISITION OF A SUBSIDIARY (CONT'D)**

Accordingly, the allocation of the purchase consideration to the assets and liabilities of the subsidiary in respect of the acquisition as at the acquisition date are summarised in the table below:-

	<b>FYE 31 December 2022 RM'000 Audited</b>
Purchase consideration	11,800
Net liabilities as at acquisition date	58
Allocation of excess of purchase consideration to the property, plant and equipment	<u>11,858</u>

The excess of purchase consideration is wholly allocated to property, plant and equipment considering that the carrying value accounted for approximately 97% of the total assets of the subsidiary.

**29. DISSOLUTION OF A SUBSIDIARY**

On 7 December 2022, Keyfield Marine Limited, a wholly-owned subsidiary of Keyfield Offshore, has been struck off pursuant to Section 151(4) of the Labuan Companies Act 1990. As a result, the Group has accounted this subsidiary as deemed disposed and has deconsolidated the results of this subsidiary from the Group. The financial effects arising from this deemed disposal are summarised below:-

	<b>FYE 31 December 2022 RM'000 Audited</b>
Carrying amount of net liabilities	(120)
Amount owing to a related company	628
Cost of investment	(430)
Foreign exchange translation reserve	79
Realised profit on disposal of a vessel, upon dissolution	<u>342</u>
Gain on dissolution of a subsidiary	<u>499</u>

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****30. CASH FLOW INFORMATION**

- (a) The cash disbursed for the purchase of property and equipment and the addition of right-of-use asset is as follows:-

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	2020	2021	2022
	RM'000	RM'000	RM'000
<b>Property, plant and equipment</b>			
Cost	74,285	81,324	78,384
Less: Payment made by a related party (Note 30(b))	(15,986)	(4,153)	-
Less: Trade payables	(1,669)	-	(955)
Less: Other payables	-	-	(81)
Less: Prepayments made in the previous financial year	-	(8,096)	(259)
Less: Addition through term loan (Note 30(b))	-	(44,330)	-
Less: Addition through hire purchase arrangement	-	-	(300)
Less: Addition through issuance of CRNCPS (Note 30(b))	-	-	(65,000)
Add: Payment in respect of previous financial year's purchases	-	1,669	-
	<u>56,630</u>	<u>26,414</u>	<u>11,789</u>
<b>Right-of-use assets</b>			
Cost	300	16,059	21,363
Less: Addition of new lease liability (Notes 17 and 30(b))	(150)	(16,059)	(21,363)
	<u>150</u>	<u>-</u>	<u>-</u>

## 12. ACCOUNTANTS' REPORT (Cont'd)

### KEYFIELD INTERNATIONAL BERHAD NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 30. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (cont'd):-

	<----- Audited ----->				
	Term Loans RM'000	Lease Liability RM'000	Revolving Credits RM'000	Amount Owing to a Shareholder RM'000	Total RM'000
<b>FYE 31 December 2020</b>					
At 1 January	29,422	-	-	-	29,422
<u>Changes in Financing Cash Flows</u>					
Advances (Note 31(b))	-	-	-	58,846	58,846
Settlement of promissory note (Note 31(b))	-	-	-	(31,553)	(31,553)
Proceeds from drawdown	38,349	-	6,327	-	44,676
Repayment of principal	(9,782)	(20)	-	-	(9,802)
Repayment of interests	(1,214)	-	(5)	-	(1,219)
Foreign exchange gain (realised)	-	-	-	(1,584)	(1,584)
	27,353	(20)	6,322	25,709	59,364
<u>Other Changes</u>					
Acquisition of new lease (Note 17)	-	150	-	-	150
Capitalisation of debt into ordinary shares (Note 31(b))	-	-	-	(20,500)	(20,500)
Interest expense recognised in profit or loss (Note 24)	1,214	-	5	-	1,219
Foreign exchange gain (unrealised)	-	-	-	(188)	(188)
	1,214	150	5	(20,688)	(19,319)
At 31 December	57,989	130	6,327	5,021	69,467

## 12. ACCOUNTANTS' REPORT (Cont'd)

### KEYFIELD INTERNATIONAL BERHAD NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 30. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (cont'd):-

	----- Audited ----->							
	Term Loans RM'000	Lease Liabilities RM'000	Revolving Credits RM'000	Amount Owing to a Shareholder RM'000	Other Payable (Shareholder of a Subsidiary) RM'000	Other Payable RM'000	CRNCPS RM'000	Total RM'000
<b>FYE 31 December 2021</b>								
At 1 January	57,989	130	6,327	5,021	-	-	-	69,467
<u>Changes in Financing Cash Flows</u>								
Advances	-	-	-	-	6,000	-	-	6,000
Proceeds from drawdown	259	-	10,412	-	-	5,060	-	15,731
Proceeds from issuance of CRNCPS (Note 16)	-	-	-	-	-	-	15,563	15,563
Repayment of principal	(18,069)	(1,982)	(8,099)	(5,021)	-	-	-	(33,171)
Repayment of interests	(3,040)	(171)	(271)	-	-	(135)	-	(3,617)
	(20,850)	(2,153)	2,042	(5,021)	6,000	4,925	15,563	506
Balance carried forward	37,139	(2,023)	8,369	-	6,000	4,925	15,563	69,973



**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****30. CASH FLOW INFORMATION (CONT'D)**

(b) The reconciliations of liabilities arising from financing activities are as follows (cont'd):-

	----- Audited ----->							
	Term Loans RM'000	Lease Liabilities RM'000	Revolving Credits RM'000	Amount Owing to a Shareholder RM'000	Other Payable (Shareholder of a Subsidiary) RM'000	Other Payable RM'000	CRNCPS RM'000	Total RM'000
<b>FYE 31 December 2021</b>								
Balance brought forward	37,139	(2,023)	8,369	-	6,000	4,925	15,563	69,973
<u>Other Changes</u>								
Acquisition of new leases (Note 17)	-	16,059	-	-	-	-	-	16,059
Acquisition of property, plant and equipment by a subsidiary (Note 30(a))	44,330	-	-	4,153	-	-	-	48,483
Capitalisation of debts into:								
- ordinary shares	-	-	-	-	(500)	-	-	(500)
- CCPS	-	-	-	-	(2,500)	-	-	(2,500)
Interest expense recognised in profit or loss (Note 24)	3,040	171	271	-	98	135	-	3,715
Foreign exchange gain (unrealised)	-	-	-	12	-	146	-	158
	47,370	16,230	271	4,165	(2,902)	281	-	65,415
At 31 December	84,509	14,207	8,640	4,165	3,098	5,206	15,563	135,388

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****30. CASH FLOW INFORMATION (CONT'D)**

(b) The reconciliations of liabilities arising from financing activities are as follows (cont'd):-

	←----- Audited -----→							
	Term Loans RM'000	Lease Liabilities RM'000	Revolving Credits RM'000	Amount Owing to a Shareholder RM'000	Other Payable (Shareholder of a Subsidiary) RM'000	Other Payable RM'000	CRNCPS RM'000	Total RM'000
<b>FYE 31 December 2022</b>								
At 1 January	84,509	14,207	8,640	4,165	3,098	5,206	15,563	135,388
<u>Changes in Financing</u>								
<u>Cash Flows</u>								
Proceeds from drawdown	10,116	-	25,669	-	-	-	-	35,785
Redemption of CRNCPS (Note 16)	-	-	-	-	-	-	(15,563)	(15,563)
Repayment of principal	(35,228)	(6,389)	(14,368)	(4,946)	(1,000)	(5,206)	-	(67,137)
Repayment of interests	(1,976)	(529)	(476)	-	(236)	(21)	(693)	(3,931)
	(27,088)	(6,918)	10,825	(4,946)	(1,236)	(5,227)	(16,256)	(50,846)
Balance carried forward	57,421	7,289	19,465	(781)	1,862	(21)	(693)	84,542

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****30. CASH FLOW INFORMATION (CONT'D)**

(b) The reconciliations of liabilities arising from financing activities are as follows (cont'd):-

	----- Audited ----->							
	Term Loans RM'000	Lease Liabilities RM'000	Revolving Credits RM'000	Amount Owing to a Shareholder RM'000	Other Payable (Shareholder of a Subsidiary) RM'000	Other Payable RM'000	CRNCPS RM'000	Total RM'000
<b>FYE 31 December 2022</b>								
Balance brought forward	57,421	7,289	19,465	(781)	1,862	(21)	(693)	84,542
<u>Other Changes</u>								
Acquisition of a subsidiary through issuance of CRNCPS (Note 28)	-	-	-	65,781	-	-	11,800	77,581
Capitalisation of debt owing by a subsidiary into CRNCPS (Note 31(b))	-	-	-	(65,000)	-	-	65,000	-
Acquisition of property, plant and equipment through issuance of CRNCPS (Note 30(a))	-	-	-	-	-	-	65,000	65,000
Accretion of interest on CRNCPS (Note 24)	-	-	-	-	-	-	2,260	2,260
Addition of new leases (Notes 17 and 30(a))	-	21,363	-	-	-	-	-	21,363
	-	21,363	-	781	-	-	144,060	166,204
Balance carried forward	57,421	28,652	19,465	-	1,862	(21)	143,367	250,746

## 12. ACCOUNTANTS' REPORT (Cont'd)

### KEYFIELD INTERNATIONAL BERHAD NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 30. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (cont'd):-

	----- Audited ----->							
	Term Loans RM'000	Lease Liabilities RM'000	Revolving Credits RM'000	Amount Owing to a Shareholder RM'000	Other Payable (Shareholder of a Subsidiary) RM'000	Other Payable RM'000	CRNCPS RM'000	Total RM'000
<b>FYE 31 December 2022</b>								
Balance brought forward	57,421	28,652	19,465	-	1,862	(21)	143,367	250,746
<u>Other Changes (Cont'd)</u>								
Changes due to lease modification (Note 17)	-	(10,244)	-	-	-	-	-	(10,244)
Fair value gain on CRNCPS (Notes 16 and 24)	-	-	-	-	-	-	(7,282)	(7,282)
Interest expenses recognised in profit or loss (Note 24)	3,302	529	476	-	138	21	4,256	8,722
Other payables	(1,326)	-	-	-	-	-	-	(1,326)
	1,976	(9,715)	476	-	-	21	(3,026)	(10,130)
At 31 December	59,397	18,937	19,941	-	2,000	-	140,341	240,616

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****30. CASH FLOW INFORMATION (CONT'D)**

(c) The cash and cash equivalents comprise the following:-

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	RM'000	RM'000	RM'000
Fixed deposits with licensed banks	2,711	6,179	6,240
Cash and bank balances	20,176	14,656	17,024
	<u>22,887</u>	<u>20,835</u>	<u>23,264</u>
Less: Fixed deposit pledged to a licensed bank (Note 11(a))	(2,711)	(2,436)	(2,436)
Less: Fixed deposit restricted for use (Note 11(b))	-	(3,743)	(3,804)
	<u>20,176</u>	<u>14,656</u>	<u>17,024</u>

**31. RELATED PARTY DISCLOSURES****(a) Identities of Related Parties**

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, associate, key management personnel and entities within the same group of companies.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****31. RELATED PARTY DISCLOSURES (CONT'D)****(b) Significant Related Party Transactions and Balances**

Other than those disclosed elsewhere in the financial statements, the Group also carried out the following significant transactions with the related parties during the financial year:-

	<b>&lt;----- Audited -----&gt;</b>		
	<b>&lt;----- As at 31 December -----&gt;</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>An Associate</b>			
Advances from an associate	230	-	-
Payment made for an associate	176	2	-
Dividend received from an associate	-	-	98
<b>Related Parties</b>			
Capitalisation of debt owing to a related party by Keyfield Marine into ordinary shares in Keyfield	14,760	-	-
Novation of a Shipbuilding Contract from a related party <sup>#</sup>	70,984	-	-
<b>Shareholders</b>			
Advances from a shareholder	58,846	-	-
Payment made by a shareholder	-	4,153	-
Capitalisation of debt owing to a shareholder by Keyfield Offshore into ordinary shares in Keyfield	20,500	-	-
Issuance of ordinary shares in Keyfield Offshore to a shareholder	10,001	-	-
Capitalisation of debt owing to a shareholder by Keyfield Resolute, into CRNCPS in Keyfield	-	-	65,000
Settlement of promissory note to a shareholder	31,553	-	-
Dividend paid to shareholders	174	-	-
Acquisition of interests in Keyfield Offshore from shareholders (Note 12(d)(ii))	31,247	-	-
Acquisition of interests in Keyfield Resolute from a shareholder through issuance of CRNCPS <sup>^</sup>	-	-	11,800
Interest charged on CRNCPS	-	-	1,949

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****31. RELATED PARTY DISCLOSURES (CONT'D)****(b) Significant Related Party Transactions and Balances (Cont'd)**

	<----- Audited ----->		
	<----- As at 31 December ----->		
	2020	2021	2022
	RM'000	RM'000	RM'000
<b>Directors</b>			
Advances from directors	205	-	-
Dividend paid to directors	326	-	-
Payment made by directors	39	-	-
Conversion of NCNRCPS into ordinary shares in Keyfield Offshore by a director	33,000	-	-
Acquisition of interests in Keyfield Offshore from directors (Note 12(d)(ii))	58,753	-	-
<b>Other Key Management Personnel</b>			
Salaries and bonuses	683	830	1,661
Defined contribution plan	55	95	176
Other benefits	10	3	5
<b>Transaction with Keyfield Resolute prior to Acquisition of Keyfield Resolute by Keyfield</b>			
Payment made for Keyfield Resolute by Keyfield Offshore*	-	2,289	-
Chartering of vessel from Keyfield Resolute by Keyfield Offshore*	-	3,751	390

Note:-

- # - This was in relation to a Novation Agreement of a Shipbuilding Contract for Laguna Setia 2 of USD17,000,000, novated from Wisdom Creator Limited ("WCL") to Keyfield Marine. As of the date of the Novation Agreement, on 19 August 2020, the total amount paid by WCL was amounted to approximately USD3,831,000 (equivalent to approximately RM15,986,000). In addition, Keyfield Offshore has paid on behalf of Keyfield Marine, a total amount of approximately USD8,204,000 (equivalent to approximately RM34,398,000) which has been eliminated at the Group level.
- \* - This was in relation to the transactions by Keyfield Offshore with Keyfield Resolute while Keyfield Resolute was still a subsidiary of Lavin.
- ^ - This was in relation to issuance of CRNCPS for total nominal value of RM12,500,000 to Lavin, as disclosed in Note 36(t) to the consolidation financial statements. The cost of investment was recognised at approximately RM11,800,000 after fair value adjustment amounted to approximately RM700,000.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****32. SEGMENTAL REPORTING****32.1 BUSINESS SEGMENT AND GEOGRAPHICAL INFORMATION**

The Group operates predominantly in one business segment in Malaysia. Accordingly, the information by business and geographical segments is not presented.

**32.2 MAJOR CUSTOMERS**

The following are major customers with revenue equal to or more than 10% of the Group's total revenue:-

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	2020	2021	2022
	RM'000	RM'000	RM'000
	Audited	Audited	Audited
Customer #1	21,023	39,233	86,870
Customer #2	-	-	30,766
Customer #3	8,077	20,308	26,782
Customer #4	-	*	20,326
Customer #5	-	-	13,274
Customer #6	-	17,735	-
Customer #7	10,045	*	-
Customer #8	14,052	*	*
Customer #9	11,020	-	-

Note:-

\* - Represents amount less than 10% of the Group's total revenue

**33. CAPITAL COMMITMENTS**

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	2020	2021	2022
	RM'000	RM'000	RM'000
Property and equipment:			
- capital work-in-progress	388	129	-
- vessel	50,413 <sup>#</sup>	-	-
	50,801	129	-

# - Represents the remaining purchase consideration of Keyfield Falcon amounting to USD12,550,000 (equivalent to approximately RM50,413,000). As at the end of FYE 31 December 2020, the Group has paid a total deposit amounted to USD1,950,000 (equivalent to approximately RM8,096,000) out of the total consideration of USD14,500,000, as disclosed in Note 10(c) to the consolidated financial statements.



**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****34. FOREIGN EXCHANGE RATE**

The Group's principal closing foreign exchange rate used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of the foreign currency balances at the end of the reporting period were as follows:-

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	2020	2021	2022
United States Dollar	4.0170	4.1650	4.3900
Singapore Dollar	3.0396	3.0853	3.2740
Chinese Yuan	-	0.6547	-
British Pound	-	-	5.2926
Euro	-	-	4.6846

**35. FINANCIAL INSTRUMENTS**

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

**35.1 FINANCIAL RISK MANAGEMENT POLICIES**

The Group's policies in respect of the major areas of treasury activity are as follows:-

**(a) Market Risk****(i) Foreign Currency Risk**

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia ("RM"). The currency giving rise to this risk is primarily United States Dollar ("USD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****35. FINANCIAL INSTRUMENTS****35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(a) Market Risk (Cont'd)****(i) Foreign Currency Risk (Cont'd)***Foreign Currency Exposure*

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

	<----- Audited ----->		
	United States Dollar RM'000	Singapore Dollar RM'000	Total RM'000
<b>FYE 31 December 2020</b>			
<u>Financial Assets</u>			
Cash and bank balances	2,577	4	2,581
Other receivables	1,710	-	1,710
	4,287	4	4,291
<u>Financial Liability</u>			
Other payables	(6,226)	-	(6,226)
Net financial(liabilities)/ assets denominated in foreign currencies	(1,939)	4	(1,935)

## 12. ACCOUNTANTS' REPORT (Cont'd)

### KEYFIELD INTERNATIONAL BERHAD NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 35. FINANCIAL INSTRUMENTS (CONT'D)

##### 35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Market Risk (Cont'd)

##### (i) Foreign Currency Risk (Cont'd)

##### *Foreign Currency Exposure (Cont'd)*

	----- Audited ----->			
	United States Dollar RM'000	Singapore Dollar RM'000	Chinese Yuan RM'000	Total RM'000
<b>FYE 31 December 2021</b>				
<u>Financial Assets</u>				
Trade receivables	3,353	-	-	3,353
Other receivables	242	-	-	242
Cash and bank balances	2,043	106	-	2,149
	5,638	106	-	5,744
<u>Financial Liabilities</u>				
Trade payables	(685)	(4)	(156)	(845)
Other payables	(10,263)	-	-	(10,263)
Lease liabilities	(13,874)	-	-	(13,874)
	(24,822)	(4)	(156)	(24,982)
Net financial (liabilities)/assets denominated in foreign currencies	(19,184)	102	(156)	(19,238)

## 12. ACCOUNTANTS' REPORT (Cont'd)

### KEYFIELD INTERNATIONAL BERHAD NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 35. FINANCIAL INSTRUMENTS (CONT'D)

##### 35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Market Risk (Cont'd)

##### (i) Foreign Currency Risk (Cont'd)

##### *Foreign Currency Exposure (Cont'd)*

	<----- Audited ----->				
	United States Dollar RM'000	Singapore Dollar RM'000	British Pound RM'000	Euro RM'000	Total RM'000
<b>FYE 31 December 2022</b>					
<u>Financial Assets</u>					
Trade receivables	1,940	-	-	-	1,940
Cash and bank balances	86	47	-	-	133
	2,026	47	-	-	2,073
<u>Financial Liabilities</u>					
Trade payables	(259)	(37)	-	(28)	(324)
Other payables	(2,157)	(17)	(1)	-	(2,175)
	(2,416)	(54)	(1)	(28)	(2,499)
Net financial (liabilities)/assets denominated in foreign currencies	(390)	(7)	(1)	(28)	(426)

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****35. FINANCIAL INSTRUMENTS (CONT'D)****35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(a) Market Risk (Cont'd)****(i) Foreign Currency Risk (Cont'd)***Foreign Currency Risk Sensitivity Analysis*

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting year/period, with all other variables held constant:-

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	RM'000	RM'000	RM'000
<b>Effects on Profit After Taxation/Other Comprehensive Income</b>			
USD/RM:			
- strengthened by 5%	(74)	(729)	(15)
- weakened by 5%	74	729	15
	<u>          </u>	<u>          </u>	<u>          </u>
SGD/RM:			
- strengthened by 5%	*	4	*
- weakened by 5%	*	(4)	*
	<u>          </u>	<u>          </u>	<u>          </u>
RMB/RM:			
- strengthened by 5%	-	(6)	-
- weakened by 5%	-	6	-
	<u>          </u>	<u>          </u>	<u>          </u>

Note:-

\* - Represents amount lesser than RM1,000

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****35. FINANCIAL INSTRUMENTS (CONT'D)****35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(a) Market Risk (Cont'd)****(i) Foreign Currency Risk (Cont'd)***Foreign Currency Risk Sensitivity Analysis (Cont'd)*

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	RM'000	RM'000	RM'000
<b>Effects on Profit After Taxation/Other Comprehensive Income</b>			
EUR/RM:			
- strengthened by 5%	-	-	(1)
- weakened by 5%	-	-	1
GBP/RM:			
- strengthened by 5%	-	-	*
- weakened by 5%	-	-	*

Note:-

\* - Represents amount lesser than RM1,000

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****35. FINANCIAL INSTRUMENTS (CONT'D)****35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(a) Market Risk (Cont'd)****(ii) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed deposits with licensed banks and fixed rate borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as in defined by MFRS 7 since neither carrying amounts nor the future cash flows will fluctuate because of a change in their market interest rates.

The Group and the Company's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Notes 18(a) and 18(b) to the consolidated financial statements, as summarised below:-

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	RM'000	RM'000	RM'000
<b>Floating rate instruments</b>			
Other payables (interest-bearing)	-	5,206	-
Term loans	20,330	55,489	43,914
Revolving credits	6,327	8,640	19,941
	<u>26,657</u>	<u>69,335</u>	<u>63,855</u>

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****35. FINANCIAL INSTRUMENTS (CONT'D)****35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(a) Market Risk (Cont'd)****(ii) Interest Rate Risk (Cont'd)***Interest rate risk sensitivity analysis*

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	RM'000	RM'000	RM'000
<b>Effects on Profit After Taxation/Other Comprehensive Income</b>			
Increase of 100 basis points	(203)	(527)	(485)
Decrease of 100 basis points	203	527	485

**(iii) Equity Price Risk**

The Group does not have any quoted investments and hence, is not exposed to equity price risk.



**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****35. FINANCIAL INSTRUMENTS (CONT'D)****35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(b) Credit Risk**

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

**(i) Credit Risk Concentration Profile**

The Group's major concentration of credit risk relates to the amount owing by customers of its trade receivables at the end of the reporting period as follows:-

	<----- Audited -----> <----- FYE 31 December ----->		
	2020	2021	2022
Number of customers	3	4	2
Percentage of trade receivable (%)	72.06	72.73	58.78

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**12. ACCOUNTANTS' REPORT (Cont'd)**

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**KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**35. FINANCIAL INSTRUMENTS (CONT'D)**

35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(b) Credit Risk (Cont'd)**

**(ii) Maximum Exposure to Credit Risk**

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group after deducting any allowance for impairment losses (where applicable).

**(iii) Assessment of Impairment Losses**

The Group has credit policy in place and the exposure to credit risk is monitored on an on-going basis through periodic review of the ageing of the trade receivables. The Group closely monitors the trade receivables' financial strength to reduce the risk loss.

At each reporting date, the Group assesses whether any of the financial assets at amortised cost are credit impaired.

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

A financial asset is credit impaired when any of following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:

- Significant financial difficult of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty; and
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

The Group uses a more lagging past due criterion for a certain trade receivables when it is more appropriate to reflect their loss patterns.

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**12. ACCOUNTANTS' REPORT (Cont'd)**

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**KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**35. FINANCIAL INSTRUMENTS (CONT'D)**

35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(b) Credit Risk (Cont'd)**

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables

The Group applies the simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for all trade receivables.

*Inputs, Assumptions and Techniques used for Estimating Impairment Losses*

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates.

The Group measures the expected credit losses of certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

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

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year.

## 12. ACCOUNTANTS' REPORT (Cont'd)

### KEYFIELD INTERNATIONAL BERHAD NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 35. FINANCIAL INSTRUMENTS (CONT'D)

##### 35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (b) Credit Risk (Cont'd)

##### (iii) Assessment of Impairment Losses (Cont'd)

##### Trade Receivables (Cont'd)

##### *Allowance for Impairment Losses*

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

	<----- Audited ----->			
	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
<b>FYE 31 December 2020</b>				
Trade receivables with credit terms:				
- current (not past due)	6,976	-	-	6,976
- 1 to 30 days past due	3,924	-	-	3,924
- 31 to 60 days past due	2,195	-	-	2,195
- 61 to 90 days past due	379	-	-	379
- more than 90 days past due	1,174	-	-	1,174
	14,648	-	-	14,648
Trade receivables without credit terms*	8,012	-	-	8,012
	22,660	-	-	22,660

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****35. FINANCIAL INSTRUMENTS (CONT'D)**

## 35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(b) Credit Risk (Cont'd)**

## (iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)*Allowance for Impairment Losses (Cont'd)*

	<----- Audited ----->			
	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
<b>FYE 31 December 2021</b>				
Trade receivables with credit terms:				
- current (not past due)	22,440	-	-	22,440
- 1 to 30 day past due	6,937	-	-	6,937
- 31 to 60 day past due	11,639	-	-	11,639
- 61 to 90 days past due	6,475	(736)	-	5,739
- more than 90 days past due	12,626	(4,392)	-	8,234
	60,117	(5,128)	-	54,989
Trade receivables without credit terms*	9,900	-	-	9,900
	70,017	(5,128)	-	64,889

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****35. FINANCIAL INSTRUMENTS (CONT'D)**

## 35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(b) Credit Risk (Cont'd)**

## (iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)*Allowance for Impairment Losses (Cont'd)*

	<----- Audited ----->			
	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
<b>FYE 31 December 2022</b>				
Trade receivables with credit terms:				
- current (not past due)	14,263	-	-	14,263
- 1 to 30 days past due	20,030	-	-	20,030
- 31 to 60 days past due	13,961	-	-	13,961
- 61 to 90 days past due	15,437	-	-	15,437
- more than 90 days past due	21,921	(8,616)	-	13,305
	85,612	(8,616)	-	76,996
Trade receivables without credit terms*	11,012	-	-	11,012
	96,624	(8,616)	-	88,008

\* - The Group's normal trade credit terms range from 30 to 120 days. Other credit terms are assessed and approved on a case-by-case basis which include back-to-back arrangement i.e. the Group will receive payment when its customers received theirs.

The movements in the loss allowances in respect of trade receivables is disclosed in Note 9 to the consolidated financial statements.

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**12. ACCOUNTANTS' REPORT (Cont'd)**

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**KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**35. FINANCIAL INSTRUMENTS (CONT'D)**

35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(b) Credit Risk (Cont'd)**

(iii) Assessment of Impairment Losses (Cont'd)

Other Receivables and Amount Owing by Related Parties

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables and amount owing by related parties.

Under this approach, loss allowance is measured on either 12-month expected credit losses or lifetime expected credit losses, by considering the likelihood that the receivable would not be able to repay during the contractual period (probability of default, PD), the percentage of contractual cash flows that will not be collected if default happens (loss given default, LGD) and the outstanding amount that is exposed to default risk (exposure at default, EAD).

In deriving the PD and LGD, the Group considers the receivable's past payment status and its financial condition as at the reporting date. The PD is adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the receivable to settle its debts.

*Allowance for Impairment Losses*

No expected credit loss is recognised on other receivables as it is negligible.

Fixed Deposits with Licensed Banks, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

## 12. ACCOUNTANTS' REPORT (Cont'd)

### KEYFIELD INTERNATIONAL BERHAD NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 35. FINANCIAL INSTRUMENTS (CONT'D)

##### 35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

##### *Maturity Analysis*

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

		<div>&lt;----- AUDITED -----&gt;</div>				
	Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
FYE 31 December 2020						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	13,638	13,638	13,638	-	-
Other payables	-	9,214	9,214	9,214	-	-
Lease liability	4.22	130	141	53	88	-
Term loans	3.41 - 7.45	57,989	63,742	18,040	43,497	2,205
Revolving credits	3.80 - 4.30	6,327	6,327	6,327	-	-
		87,298	93,062	47,272	43,585	2,205



## 12. ACCOUNTANTS' REPORT (Cont'd)

### KEYFIELD INTERNATIONAL BERHAD NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 35. FINANCIAL INSTRUMENTS (CONT'D)

##### 35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (c) Liquidity Risk (Cont'd)

##### Maturity Analysis (Cont'd)

		←----- AUDITED -----→				
	Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
FYE 31 December 2021						
<u>Non-derivative Financial</u>						
<u>Liabilities</u>						
CRNCPS	5.00	15,563	17,832	778	17,054	-
Trade payables	-	33,923	33,923	33,923	-	-
Other payables (non-interest bearing)	-	7,283	7,283	7,283	-	-
Other payables (interest-bearing)	2.60 - 5.00	8,304	8,650	383	8,267	-
Lease liabilities	3.00 - 4.75	14,207	14,797	5,769	9,028	-
Term loans	2.60 - 7.45	84,509	92,637	33,440	53,684	5,513
Revolving credits	3.80 - 4.30	8,640	8,640	8,640	-	-
		172,429	183,762	90,126	88,033	5,513

## 12. ACCOUNTANTS' REPORT (Cont'd)

### KEYFIELD INTERNATIONAL BERHAD NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 35. FINANCIAL INSTRUMENTS (CONT'D)

##### 35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (c) Liquidity Risk (Cont'd)

##### Maturity Analysis (Cont'd)

		<div>&lt;----- AUDITED -----&gt;</div>				
	Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
FYE 31 December 2022						
<u>Non-derivative Financial Liabilities</u>						
CRNCPS	3.00	140,341	155,325	7,859	147,466	-
Trade payables	-	33,719	33,719	33,719	-	-
Other payables	5.00	5,762	5,896	3,863	2,033	-
Lease liabilities	3.72 - 4.88	18,937	19,775	11,589	8,186	-
Term loans	4.41 - 6.64	59,597	67,620	34,681	27,430	5,509
Revolving credits	4.78 - 5.28	19,941	19,941	19,941	-	-
		278,097	302,276	111,652	185,115	5,509

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****35. FINANCIAL INSTRUMENTS (CONT'D)****35.2 CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, other payables with interest-bearing, loans and borrowings from financial institutions less cash and cash equivalents. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	RM'000	RM'000	RM'000
CRNCPS	-	15,563	140,341
Other payables (interest-bearing)	-	8,304	2,000
Lease liabilities	130	14,207	18,937
Term loans	57,989	84,509	59,397
Revolving credits	6,327	8,640	19,941
	<b>64,446</b>	<b>131,223</b>	<b>240,616</b>
Less: Fixed deposits with licensed banks	(2,711)	(6,179)	(6,240)
Less: Cash and bank balances	(20,176)	(14,656)	(17,024)
Net debts	<b>41,559</b>	<b>110,388</b>	<b>217,352</b>
Total equity	<b>123,732</b>	<b>144,682</b>	<b>192,337</b>
Debt-to-equity ratio	<b>0.34</b>	<b>0.76</b>	<b>1.13</b>

## 12. ACCOUNTANTS' REPORT (Cont'd)

### KEYFIELD INTERNATIONAL BERHAD NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 35. FINANCIAL INSTRUMENTS (CONT'D)

##### 35.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	2020	2021	2022
	RM'000	RM'000	RM'000
<b>Financial Assets</b>			
<u>Amortised Cost</u>			
Trade receivables	22,660	64,889	88,008
Other receivables	1,716	313	25
Fixed deposits with licensed banks	2,711	6,179	6,240
Cash and bank balances	20,176	14,656	17,024
	<u>47,263</u>	<u>86,037</u>	<u>111,297</u>
<b>Financial Liabilities</b>			
<u>Amortised Cost</u>			
CRNCPS	-	15,563	140,341
Trade payables	13,638	33,923	33,719
Other payables	9,214	15,587	5,762
Lease liabilities	130	14,207	18,937
Term loans	57,989	84,509	59,397
Revolving credits	6,327	8,640	19,941
	<u>87,298</u>	<u>172,429</u>	<u>278,097</u>

**12. ACCOUNTANTS' REPORT (Cont'd)**

**KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**35. FINANCIAL INSTRUMENTS (CONT'D)**

35.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	RM'000	RM'000	RM'000
<b>Financial Assets</b>			
<u>Amortised Cost</u>			
Net gains/(losses) recognised in profit or loss	141	(5,339)	(2,896)
<b>Financial Liabilities</b>			
<u>Amortised Cost</u>			
Net gains/(losses) recognised in profit or loss	534	(3,952)	(9,717)

**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****35. FINANCIAL INSTRUMENTS (CONT'D)****35.5 FAIR VALUE INFORMATION**

The fair values of the financial assets and financial liabilities of the Group that maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

As the Group does not have any financial instruments carried at fair value, the following table sets out only the fair value profile of financial instruments that are not carried at fair value at the end of the reporting period:-

	Fair Value of Financial Instruments not Carried at Fair Value			Total	Carrying
	Level 1	Level 2	Level 3	Fair Value	Amount
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>FYE 31 December 2020</b>					
<b>(Audited)</b>					
<u>Financial Liability</u>					
Term loan (fixed rate)	-	37,659	-	37,659	37,659
Term loans (floating rate)	-	20,330	-	20,330	20,330
<b>FYE 31 December 2021</b>					
<b>(Audited)</b>					
<u>Financial Liabilities</u>					
CRNCPS (fixed rate)	-	15,563	-	15,563	15,563
Other payable (fixed rate)	-	3,098	-	3,098	3,098
Other payable (floating rate)	-	5,206	-	5,206	5,206
Term loan (fixed rate)	-	29,020	-	29,020	29,020
Term loans (floating rate)	-	55,489	-	55,489	55,489
<b>FYE 31 December 2022</b>					
<b>(Audited)</b>					
<u>Financial Liabilities</u>					
CRNCPS (fixed rate)	-	140,341	-	140,341	140,341
Other payable (fixed rate)	-	2,000	-	1,994	2,000
Term loan (fixed rate)	-	15,483	-	15,483	15,483
Term loans (floating rate)	-	43,914	-	43,914	43,914

**12. ACCOUNTANTS' REPORT (Cont'd)**

**KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**35. FINANCIAL INSTRUMENTS (CONT'D)**

35.4 FAIR VALUE INFORMATION (CONT'D)

**(a) Fair Value of Financial Instruments Not Carried at Fair Value**

- (i) The fair values of CRNCPS, interest-bearing payables and term loan that carry fixed interest rates are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	<----- Audited ----->		
	<----- FYE 31 December ----->		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	%	%	%
CRNCPS	-	5.00	3.00
Other payables	-	5.00	5.00
Term loan	5.20	5.20	5.20

## 12. ACCOUNTANTS' REPORT (*Cont'd*)

### KEYFIELD INTERNATIONAL BERHAD NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 36. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

- (a) The outbreak of COVID-19 in early 2020 has affected the business and economic environments of the Group. The Government of Malaysia announced the "Movement Control Order" ("MCO") with effect from 18 March 2020 until 3 May 2020. The Government has further announced the "Conditional Movement Control Order" ("CMCO") with effect from 4 May 2020 to 9 June 2020. This is followed by "Recovery Movement Control Order" ("RMCO") with effect from 10 June 2020 to 31 August 2020.

The Group operates in the oil and gas sector, which is one of the essential sectors exempted from the MCO. As such, after obtaining the necessary approvals, the Group had continued to operate during the MCO period.

In respect of charter contracts of third-party vessels which were ongoing at that time, were continued without disruption despite the onset of the MCO. However, in respect of certain charter contracts which had been awarded but yet to commence, there was a delay in the commencement date resulting from the MCO.

- (b) On 1 December 2015, a Shipbuilding Contract was entered by WCL ("buyer"), Jingjiang Nanyang Shipbuilding Co., Ltd. ("seller") and Nantong Shunyang Trade and Development Co., Ltd. ("co-seller") for the purchase of the Group's second vessel, Laguna Setia 2 for a total purchase consideration of USD17,000,000.

This Shipbuilding Contract was subsequently novated by WCL to Keyfield Marine on 19 August 2020 through a Novation Agreement. Pursuant to this Novation Agreement, WCL has novated its rights, interests, benefits, obligations and liabilities under the Shipbuilding Contract to Keyfield Marine.

As of the date of the Novation Agreement, the total amounts paid by Keyfield Offshore and WCL on behalf of Keyfield Marine were amounted to approximately USD8,204,000 (equivalent to approximately RM34,398,000) and USD3,831,000 (equivalent to approximately RM15,986,000), respectively.

Subsequently, on 28 September 2020, the Group has taken delivery of Laguna Setia 2.

- (c) On 28 September 2020, Keyfield Endeavour entered into a Memorandum of Agreement with POET and subsequently, followed by an Addendum dated 14 December 2020 to acquire a second-hand vessel, Keyfield Falcon for a total purchase consideration of USD14,500,000. The Group has taken delivery of the vessel on 13 February 2021.
- (d) On 22 December 2020, Keyfield entered into first SSA with the shareholders of Keyfield Marine and Keyfield Endeavour to acquire the entire issued and paid-up share capital of Keyfield Marine and Keyfield Endeavour for a consideration of RM1 each, respectively. Subsequent to the acquisition, Keyfield Marine and Keyfield Endeavour became wholly-owned subsidiaries of Keyfield.



**12. ACCOUNTANTS' REPORT (Cont'd)****KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****36. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (CONT'D)**

- (e) On 23 December 2020, Keyfield entered into second SSA with the shareholders of Keyfield Offshore to acquire the entire issued and paid-up share capital of Keyfield Offshore for a total purchase consideration of RM89,999,999 by issuance of 179,999,998 new ordinary shares of Keyfield at RM0.50 each. Subsequent to the acquisition, Keyfield Offshore became wholly-owned subsidiary of Keyfield.
- (f) On 28 December 2020, Keyfield Offshore entered into a Capitalisation Agreement with Keyfield and Lavin, whereby a total amount of USD5,000,000 (equivalent to RM20,500,000) owing by Keyfield Offshore to Lavin as at 31 August 2020 is to be capitalised into 41,000,000 new ordinary shares of Keyfield at RM0.50 each. The Capitalisation Agreement has been completed on even date.
- (g) On 28 December 2020, Keyfield Marine entered into a Novation and Capitalisation Agreement with Keyfield, Dato' Kee Chit Huei and WCL, whereby a total amount of USD3,600,000 (equivalent to RM14,760,000) owing by Keyfield Marine to WCL as at 31 August 2020 is to be capitalised into 29,520,000 new ordinary shares of Keyfield at RM0.50 each. The Novation and Capitalisation Agreement has been completed on even date.
- (h) On 11 January 2021, Keyfield entered into a Loan Agreement with Positive Boom Limited for an unsecured loan of USD11 million where the proceeds were used by Keyfield Endeavour to partially pay the purchase price of Keyfield Falcon, as referred to in Note 36(c) above. The loan of USD11 million has been fully disbursed on 21 January 2021 as disclosed in Note 18(a)(vii) to the consolidated financial statements.

On 16 March 2021, through a Letter of Agreement, Keyfield and Positive Boom Limited agreed to vary certain terms of the Loan Agreement, such that the total repayment shall be RM44,330,000 instead of USD11,000,000 and for the interest on the loan to be calculated from 16 March 2021 onwards, instead of date of loan disbursement.

- (i) On 31 January 2021, through exchange of letters, Maltiquist had indicated its interest to acquire a 10% interest in Keyfield Endeavour, and has subsequently invested a total of RM6 million into Keyfield Endeavour.

On 7 May 2021, Keyfield, Keyfield Offshore, Keyfield Endeavour and Maltiquist entered into a Share Subscription Agreement and a Shareholders Agreement to inter-alia, formalise the subscriptions of ordinary shares and CRCPS in Keyfield Endeavour as well as to regulate the relationship between the shareholders of Keyfield Endeavour.

On 7 May 2021, the additional ordinary shares and CRCPS of Keyfield Endeavour were issued and allotted to the various subscribers and accordingly, the shareholding of Keyfield in Keyfield Endeavour was diluted to 90%.

- (j) On 11 June 2021, Keyfield Offshore entered into a Bareboat Charter Agreement with POET for a bareboat charter of a vessel, namely Keyfield Helms 1 for a period of 3 years.

The charter period commenced at on-hire date on 18 August 2021 as per on-hire certificate. Subsequently, the Bareboat Charter Agreement with POET has been mutually terminated with immediate effect on 14 September 2022 upon POET disposing of the vessel to Sea Steel on 15 September 2022.

In view of the tenure of this Bareboat Charter Agreement, the charter of Keyfield Helms 1 is accounted for as a right-of-use asset in accordance with MFRS 16 Leases.

## 12. ACCOUNTANTS' REPORT (Cont'd)

### KEYFIELD INTERNATIONAL BERHAD NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 36. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (CONT'D)

- (k) On 20 August 2021, Keyfield Offshore entered into a Master Agreement with Lavin and Lavin Vessel 1 Sdn. Bhd. (subsequently on 28 February 2022, changed its name to Keyfield Resolute) to be granted an exclusive charter rights and act as the ship management company for two Malaysian flagged vessels, namely Keyfield Compassion (formerly known as SK Meteori) and Keyfield Commander (formerly known as Armada Firman 2), for a term of 18 months with option to extend for further 18 months. The bareboat charter rates of the vessels shall only be payable to Keyfield Resolute on back-to-back basis as and when the respective vessels are on-hired by Keyfield Offshore to its customers.
- (l) On 11 October 2021, Keyfield Offshore entered into a Shipbuilding Contract with Vantage for the construction of a vessel, namely Keyfield Kindness, for a total purchase consideration of USD4,250,000. Part of the proceeds from the issuance of the 15,562,500 3-year CRNCPS as referred to in Note 36(o) below was utilised by Keyfield Offshore to partially pay for the construction of the vessel.

Subsequently on 9 November 2021, the Group has taken delivery of the vessel.

Keyfield Offshore obtained a letter of offer from a local financial institution for a 4-year RM10,000,000 term loan, which upon the fulfilment of the drawdown conditions, will be used to partially refinance the acquisition of Keyfield Kindness.

- (m) On 1 November 2021, a 51%-owned subsidiary of Keyfield, Keyfield Geomarine, was incorporated. Keyfield subscribed for a total of 5,100 ordinary shares of RM1 each in Keyfield Geomarine for a total investment cost of RM5,100, with the balance held by a non-controlling interest (Helms Geomarine).
- (n) On 3 November 2021, Keyfield subscribed for a total of 45,000,000 NCRCPS in Keyfield Marine by capitalising the amount owing by Keyfield Marine amounted to RM45,000,000.
- (o) On 24 November 2021, Keyfield Offshore completed the issuance of 15,562,500 3-year CRNCPS for a total value of RM15,562,500 to Stratos Private Equity Limited.
- (p) On 27 December 2021, Keyfield completed a 2-for-1 share split whereby its number of ordinary shares increased from 250,520,000 to 501,040,000. The value of the ordinary paid-up share capital was unchanged at RM125,260,001.
- (q) On 12 January 2022, a wholly-owned subsidiary of Keyfield, Keyfield Serenity was incorporated. Keyfield subscribed for a total of 100,000 ordinary shares of RM1 each in Keyfield Serenity for a total investment cost of RM100,000.

## 12. ACCOUNTANTS' REPORT (Cont'd)

### KEYFIELD INTERNATIONAL BERHAD NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 36. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (CONT'D)

- (r) On 18 February 2022, Keyfield Serenity entered into a Memorandum of Agreement with Stratos Vessel Sdn. Bhd. ("Stratos Vessel") to acquire an accommodation workboat, namely Keyfield Grace, for a total purchase consideration of RM65,000,000 which was satisfied through the issuance of 260,000,000 new 3-year CRNCPS in the Company for a total value of RM65,000,000 to Stratos Private Equity Limited, the holding company of Stratos Vessel. The acquisition was completed on even date.

As a result of the acquisition, the Bareboat Charter Agreement dated 11 August 2021 between Keyfield Offshore and Stratos Vessel for the charter of Keyfield Grace was terminated on even date.

- (s) On 18 February 2022, Keyfield entered into an Intercompany Payment and Capitalisation Agreement with Keyfield Serenity, Stratos Private Equity Limited and Stratos Vessel whereby Keyfield Serenity issued 65,000,000 new NCRCPS for a total value of RM65,000,000 to Keyfield.

- (t) On 18 February 2022, Keyfield entered into a Sale and Purchase Agreement with Lavin to acquire 100% equity interest in Keyfield Resolute for a total purchase consideration of RM12,500,000 which was satisfied through the issuance of 50,000,000 new 3-year CRNCPS in Keyfield for a total value of RM12,500,000 to Lavin. The acquisition was completed on even date.

As a result of the acquisition, the Master Agreement referred to in Note 36(k) above was terminated on even date.

- (u) On 18 February 2022, Keyfield entered into a Capitalisation Agreement with Lavin and Keyfield Resolute whereby:-

- (i) Keyfield agreed to assume RM65,000,000 owing by Keyfield Resolute to Lavin, by issuing 260,000,000 new 3-year CRNCPS for a total value of RM65,000,000 to Lavin; and
- (ii) Keyfield Resolute issued 65,000,000 new NCRCPS for a total value of RM65,000,000 to Keyfield.

- (v) On 15 September 2022, Keyfield Resolute entered into a Bareboat Charter Agreement with Sea Steel for a bareboat charter of a vessel, namely Keyfield Helms 1 for a period of 11 months, with an option to extend for another 1 year at Keyfield Resolute's option.

The charter period shall commence at on-hire date on 15 September 2022 as per on-hire certificate.

In view of the tenure of this Bareboat Charter Agreement, the charter of Keyfield Helms 1 is accounted for as a right-of-use asset in accordance with MFRS 16 Leases.

As a result, the long-term Bareboat Charter Agreement for Keyfield Helms 1 between POET and Keyfield Offshore as referred to in Note 36(j) above was terminated on even date.

## **12. ACCOUNTANTS' REPORT (Cont'd)**

### **KEYFIELD INTERNATIONAL BERHAD NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **36. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (CONT'D)**

- (w) On 21 September 2022, Keyfield Resolute entered into a Bareboat Charter Agreement with Sea Steel for a bareboat charter of a vessel, namely Daya Indah Satu for a period of 1 year, with an option to extend for another 1 year at Keyfield Resolute's option.

The charter period shall commence at on-hire date on 1 November 2022 as per on-hire certificate.

In view of the tenure of this Bareboat Charter Agreement, the charter of Daya Indah Satu is accounted for as a right-of-use asset in accordance with MFRS 16 Leases.

- (x) On 7 December 2022, Keyfield Marine Limited, a wholly-owned subsidiary of Keyfield Offshore was struck off pursuant to section 151(4) of the Labuan Companies Act 1990.

#### **37. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

- (a) On 17 March 2023, the Sheriff of the High Court of Malaya executed a Bill of Sale to transfer the ownership of a vessel, namely Keyfield Lestari (formerly known as Permata Arau 1) to Keyfield Offshore, for a total purchase consideration of RM24,380,000.

- (b) On 7 April 2023, Keyfield Offshore entered into a Memorandum of Agreement with Azulite Bloom Sdn. Bhd. ("Azulite Bloom") to purchase a vessel, namely Blooming Wisdom for a total purchase consideration of RM94,886,400 payable over 48 monthly instalments of RM1,976,800 each. The Memorandum of Agreement was completed on even date.

The purchase consideration consists of:-

- (i) the cash purchase price of Blooming Wisdom of RM85,000,000; and
- (ii) the amount of up to RM9,886,400 chargeable by Azulite Bloom in consideration of them agreeing to Keyfield Offshore's request to pay by instalments, represent financing element.

Keyfield Offshore shall have the option to fully settle the balance purchase consideration earlier at any time during the 48-month instalment period. Should Keyfield Offshore decides to exercise this option, Azulite Bloom shall grant Keyfield Offshore a rebate on the remaining financing element.

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**12. ACCOUNTANTS' REPORT (Cont'd)**

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**KEYFIELD INTERNATIONAL BERHAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**37. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD (CONT'D)**

- (c) On 7 April 2023, Keyfield Offshore entered into a Memorandum of Agreement with Sea Steel Sdn. Bhd. ("Sea Steel") to purchase a vessel known as Keyfield Helms 1 for a total purchase consideration of RM50,538,620 payable over 29 monthly instalments of RM517,954 each and a final instalment of RM35,517,954. The Memorandum of Agreement was completed on even date.

The purchase consideration consists of:-

- (i) the cash purchase price of Keyfield Helms 1 of RM45,000,000; and
- (ii) the amount of up to RM5,538,620 chargeable by Sea Steel in consideration of them agreeing to Keyfield Offshore's request to pay by instalments, represent remaining financing element.

Keyfield Offshore shall have the option to fully settle the balance purchase consideration earlier at any time during the 30-months instalment period. Should Keyfield Offshore decides to exercise this option, Sea Steel shall grant Keyfield Offshore a rebate on the remaining financing element.

As a result of the acquisition, the Bareboat Charter Agreement for Keyfield Helms 1 between Sea Steel and Keyfield Resolute was terminated on even date.

- (d) On 17 May 2023, Keyfield Offshore entered into a Bareboat Charter Agreement with Sea Steel for a bareboat charter of a vessel, namely Daya Ceria for a period of 1 year, with an option to extend for another 1 year, at Keyfield Offshore's option.

The charter period shall commence at date mutually agreed between both parties, no later than 60 days after 14 June 2023, which was the vessel's arrival date in Malaysia.

In view of the tenure of this Bareboat Charter Agreement, the charter of Daya Ceria is accounted for as a right-of-use asset in accordance with MFRS 16 Leases.

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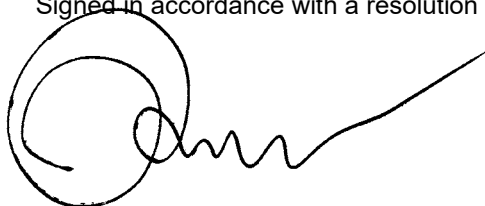
**12. ACCOUNTANTS' REPORT (Cont'd)**

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**KEYFIELD INTERNATIONAL BERHAD  
STATEMENT BY DIRECTORS**

We, Dato' Kee Chit Huei and Mohd Erwan bin Ahmad, being two of the directors of Keyfield International Berhad, state that, in the opinion of the Directors, the consolidated financial statements set out on pages 4 to 109 are drawn up in accordance Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Prospectus Guidelines issued by the Securities Commission Malaysia so as to give a true and fair view of the financial position of the Group as at 31 December 2020, 2021 and 2022 and of their financial performance and cash flows for the financial years or period ended on those dates.

Signed in accordance with a resolution of the directors dated **30 JUN 2023**



Dato' Kee Chit Huei



Mohd Erwan bin Ahmad