MANAGEMENT DISCUSSION AND ANALYSIS

Background

Alam Maritim Resources Berhad ("AMRB") is a first-tier service provider to the Malaysian oil and gas industry. The Group commenced its business in 1998 when Alam Maritim (M) Sdn Bhd, a wholly owned subsidiary of AMRB, began its operations which consisted of supplying third-party Offshore Support Vessels ("OSVs") either on a contract or call-out basis or spot charter to meet the needs and requirements of oil and gas players in Malaysia and around the Asian region.

Over the years, AMRB has integrated its OSV business proposition with offshore installation and construction ('OIC") and subsea ("Subsea") operations to provide synergistic oil and gas solutions and, thus, put itself in a position to secure a vast range of market opportunities within the industry.

The OIC and Subsea segments involve upstream-focused design and construction activities that constitute a wide range of maritime infrastructure. These activities include, but are not limited to, offshore facilities construction and installation services, such as marine construction-related services; subsea engineering services and offshore pipeline construction-related services, as well as operating remotely operated vehicles ("ROVs"). This also includes the provision of various diving services, ROVs, saturation diving systems and other related systems to support the underwater activities.

Essentially, AMRB delivers a diversified and holistic value proposition that is comprehensive, relevant, attractive and useful to oil and gas majors, beyond just relying on pure-play OSV contracts. This drives AMRB's symbiotic business capabilities to pursue larger, more integrated tenders with the potential of having a higher turnover of revenues and better margins.

The Group constantly strives to maintain its competitive positioning when tendering for contracts by leveraging on its commendable Health, Safety, Security and Environmental ("HSSE") track record and reliable operational capability.

Overview

In the first half of 2022 saw the world go into full economic recovery mode to overcome the lingering impact of the COVID-19 pandemic. Consequently, crude oil and product prices remained at elevated levels especially since the ongoing Russia-Ukraine conflict created immense uncertainty in energy and commodity markets. Economic recovery projections were optimistic as major economies lifted the last of their movement control and lockdown restrictions and allow for business sectors to reopen in full.

The oil and gas sector maintained a hopeful outlook as the expected recovery in investment spending and improved activity levels from oil was a cautiously optimistic sign for undemanding valuations and buying opportunities. In fact, the first quarter of 2022 saw oil prices surge worldwide as geopolitical instabilities and the Russia-Ukraine conflict upended global crude flows and as the crisis dragged on and we saw importers scrambled to find alternative sources to Russian oil following embargoes implemented by the European Union and the United States. China's persistent zero-Covid policy also added another element of uncertainty as the lockdowns weighed on consumer demands. Downstream products generally were volatile pressured by the high costs of feedstock amid softened demand. With the high cost of operations stemming from increased costs of feedstock, energy and logistics the industry was faced with compressed margins.

The international benchmark Brent reached USD139.13 per barrel, the highest since 2008. The widespread effects of the Russia-Ukraine conflict also triggered a spike in food and commodity prices and exacerbated inflationary pressure worldwide.

However, oil prices cooled rapidly in the second half of 2022 as central banks hiked interest rates in a bid to curb inflation, fanning recession concerns. The year concluded with Brent crude logging a 10% gain while West Texas Intermediate ("WTI") recorded a 7% increase. Demand for natural gas also increased due to Europe's gradual phasing out of reliance on Russian energy resources amid the Russia-Ukraine conflict.

The industry was also initially impacted by the slow economic recovery in China, the world's top oil importer and second-biggest consumer in 2022. Though China's pandemic restrictions were fully lifted in December 2022, a fresh wave of COVID-19 cases hampered its recovery momentum and caused its first drop in oil demand in years. The country later managed to maintain a robust demand rebound in the first half of 2023 and somewhat exceeded recovery expectations.

The ongoing nature of the Russia-Ukraine conflict has sparked new geopolitical and economic challenges that the world is still learning to navigate. In particular, oil and gas supply and demand have been impacted greatly since the war involves major international parties and players that could disrupt the supply-chain flow at any given moment.

Despite this unpredictable economic environment, the concentrated efforts of governments worldwide to continue driving economic growth have contributed to a surge in energy demand. This positive development is poised to encourage investors to keep investing in business activities and growth projects.

Though Malaysia has not been exempted from the impacts of the Russia-Ukraine conflict, the surge in oil prices during the initial half of 2022 allowed the Malaysian oil and gas sector to record one of its best performances in a while. Having experienced a five-year period of stagnant economic growth due to factors such as political instability and COVID-19, the entry of a new government focused on introducing clear new national policies and strategies bodes well for the country's economic future, placing Malaysia back in the line of sight of long-term foreign investors.

Against this backdrop it is encouraging to note that AMSB delivered a performance that reflects resilience and the ability to brace and ride the storm as we move forward. This shows our capability to sustain our position as a first-tier integrated offshore service provider.

Focus on Structural Reformation

The industry as a whole has been severely devastated by factors such as the prolonged upstream downturn since 2015, the hit of the COVID-19 pandemic between 2020-2021 and the Russia-Ukraine conflict since 2022. AMRB has not been spared; the OSV segment, being its largest core business, was the most affected by low demand and therefore lower charter rates and utilisation. This combination of factors has put our finances and even operations in the most challenging of positions.

To ensure the sustainability of the business, drastic action had to be taken both at the corporate finance level and with our business structure's fundamentals. Despite the tumultuous operating conditions, AMRB is in a unique position for transformation as it is not a pure-play OSV provider but an integrated solution specialist in the high barrier of entry segments of Subsea and OIC. In this respect, critical management decisions were made:

1. Financial and corporate restructuring to reduce its debt burden to manageable levels and provide for healthy cash flow and balance sheet post-restructuring.
2. A structural revamp of the two (2) operational segments that needed to be more resilient to downturns in challenging times, namely, the OSV and the OIC segments.
3. A massive fleet reduction for OSV from the then 40 units to a planned 16-vessel fleet that will be more standardised to ensure a higher level of operability and maintenance quality assurance.
4. Stronger business-focused operations and a higher quality fleet management and crewing workforce for high-calibre OSV asset integrity and operations.
5. An overall rationalisation of the total workforce.

MANAGEMENT DISCUSSION AND ANALYSIS

In summary, the Group's goal is to maintain resilience through its robust business model, which has sustained its diverse and advantageous role as an integrated service provider in the oil and gas sector. This strategy will not only set it apart from pure-play OSV providers or hook-up and commissioning players but also strengthen its overall operations and long-term business value.

Key Business Indicators

Indicators	FY2023	FPE 30 JUNE 2022	FY2020
Vessel utilisation rates	**67%**	61%	33%
Order book (RM'000)	**220,030**	363.64	150.63
Number of employees	**128**	154	184
Man-hours without LTI	**12,108,806***	9,509,550*	6,111,547

(From 14 May 2018 to 30 June 2023)

Group Financial Indicators

RM '000	FY2023	FPE 30 JUNE 2022	FY2020
Revenue	**310,603**	300,271	255,210
Operating profit/ (loss)	**18,944**	(188,290)	(207,270)
EBITDA	**28,215**	(43,109)	(44,971)
Finance costs	**(7,665)**	(7,558)	(5,909)
Net profit/ (loss) after taxation	**15,169**	(209,498)	(226,732)
Shareholders' equity	**(59,321)**	(72,791)	127,149
Total assets	**229,064**	269,696	366,456
Total liabilities	**288,386**	342,487	239,307
Borrowings	**112,267**	111,687	112,370
Debt/ equity	**(1.89)**	(1.53)	0.88
Earnings per share	**0.99**	(14.2)	(18.3)
Net asset per share	**(0.04)**	(0.05)	0.09
Market capitalisation as of the financial year ended	**45,955**	61,273	123,199

Note:
FY2022-23 consists of a period of 12 months from 1 July 2022 to 30 June 2023.
FPE 30 June 2022 consists of a period of 18 months from 1 January 2021 to 30 June 2022.
FPE2020 consists of a period of 12 months from 1 January 2020 to 31 December 2020.

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Revenue

The Group recorded a turnover of RM180.4 million for the financial period ended 31 March 2023. Revenue from the OSV segment was RM32.4 million while revenue from the OIC segment stood at RM147.9 million. The Group recorded a loss before taxation for the current financial period of RM2.9 million. The performance of the OSV segment was lower primarily due to lower vessel utilisation and the derecognition of OIC potential income.

Revenue	FY2023 (RM million)	FPE 30 JUNE 2022 (RM million)	Variance (%)
OSV (including management fees)	**60,342**	81,925	(26.34%)
OIC and Subsea	**246,236**	208,142	18.3%
Rental of equipment/ Ship catering/ Other shipping-related income	**4,025**	10,203	(60.55%)
Total Revenue	**310,603**	300,270	3.44%

Earnings

AMRB posted Earnings Before Interest Tax Depreciation and Amortisation ("EBITDA") of RM28.22 million in FY2022-23 (FPE 30 June 2022: -RM43.11 million).

We recorded a profit before taxation of RM14.85 million in FY2022-23, a 107% year-on-year variance (FPE 30 June 2022: -RM212.15 million).

Capital Structure, Assets, Liabilities & Resources

Assets	FY2022-23 (RM'000)
Non-current	47,617
Current	181,447
Total Assets	**229,064**

Liabilities	FY2022-23 (RM'000)
Non-current	3,380
Current	285,006
Total Liabilities	**288,386**

In FY2022-23, to sustain efficient cost management, we continued our debt and financial restructuring initiatives to eliminate any standing debt obligations, which also include vessel liabilities.

In October 2022, the Company was listed as Practice Note 17 status after Baker Tilly Monteiro Heng PLT ("BT"), our Independent Auditors, expressed a disclaimer of opinion in the Company's Audited Financial Statements for the financial period ended 30 June 2022. Subsequently, we proceeded with our Proposed Debt Restructuring in collaboration with creditor banks,

MANAGEMENT DISCUSSION AND ANALYSIS

facilitated by Bank Negara Malaysia's Corporate Debt Restructuring Committee (CDRC). A comprehensive plan to settle the debts owing to the creditors in an orderly manner to bring the debts of AMRB Group down to a sustainable level. We then progressed our Proposed Debt Restructuring with creditor banks under the auspices of Bank Negara Malaysia's Corporate Debt Restructuring Committee ("CDRC").

In February 2023, the Company was discharged from the purview of CDRC. However, we still continued with our efforts to pursue a restructuring of the debts of the Group with our scheme creditors.

In April 2023, the High Court of Malaya at Kuala Lumpur granted the Company an extension of time for leave to summon meetings of our creditors for the purpose of considering and approving the scheme of arrangement and compromise between the Company and the creditors within six months.

The Company had on 17 October 2023 made a fresh application to the High Court for orders to hold the Scheme Creditors' Meetings and for a restraining order in relation to Alam Maritim (M) Sdn Bhd and the Orders was granted by the High Court on 25 October 2023.

These actions represent proactive steps taken by AMRB to revitalise our business and reposition ourselves, focussing on where and how the restructured business should compete and succeed, ensuring its long-term viability and generating adequate EBITDA to fulfil our obligations. Furthermore, it's worth noting that CDRC recognises the oil and gas sector as a priority for restructuring under its mediation process, considering the challenging period faced by the industry.

	FY2022-23	FPE 30 JUNE 2022	FY2020
Gearing ratio	**(1.89)**	(1.53)	0.88

	FY2022-23 (RM million)	FPE 30 JUNE 2022 (RM million)	FY2020 (RM million)
Short-term borrowings	**109,618**	108,736	108,810
Long-term borrowings	**2,649**	2,951	3,560
Total borrowings	**112,267**	111,687	112,370

Cash & Cash Equivalents & Bank Balances

In FY2022-23, AMRB's total cash and cash equivalents came in at RM52.61 million (FPE 30 June 2022: RM42.28 million). Our cash flow was strengthened by both our existing order backlog and the successful execution of ongoing and finished Subsea projects, despite the unpredictable operating conditions.

Group Costs & Expenditure

Total FY2022-23 Group operating costs amounted to RM300.92 million (FPE 30 June 2022: RM318.13 million).

Building on trends, experiences and lessons learnt from past financial years, we retained best practices such as preserving minimum required crew numbers on laid-up vessels and maintaining minimum maintenance work on idle vessels for cost optimisation. We also kept these vessels' satellite communication equipment deactivated and reduced the number of vessels in our fleet. We carried out impairment on the value of our assets to ensure it was realistic compared to the practical value in the market.

MANAGEMENT DISCUSSION AND ANALYSIS

Other cost reductions during the year under review included usual protocols such as standardising equipment used across vessels, conducting strategic maintenance to optimise resources as well as undertaking collective purchasing of spare parts and inventory to benefit from bulk discounts where possible.

These initiatives have helped us consolidate routines, integrate diverse functionalities and foster synergistic productivity across our business segments to better streamline our operations. We will continue to monitor appropriate best practices and cost-saving measures to be applied to AMRB's business processes to further improve our overall sustainability and efficiency. In fact, these actions helped streamline our operations, integrate various functions and enhance productivity.

Payroll costs for our 154 strong workforce were affected in FY2022-23, with these costs seeing a reduction due to the temporary salary rationalisation measures in mitigating the COVID-19 pandemic's negative economic impact and oil and gas downturn, which also negatively impacted the sustainability of AMRB.

OSV

The Group's OSV segment continued to contribute to AMRB sustaining substantial impacts on its operating cost and margin, primarily caused by vessel impairments and delayed turnaround times. We mitigated these impacts by diversifying our docking facilities in Peninsular and East Malaysia, as well as overseas, to increase vessel preparation rates when undertaking contracts. These actions helped lessen congestion.

Any occasional dock unavailability for owned vessels augured the need for external replacement vessels to be contracted, incurring more costs too. Management had previously decided to reduce AMRB's fleet from 40 to 16 vessels in light of the government-issued movement control order ("MCO") restrictions during the COVID-19 pandemic. The reduced vessel fleet size has helped us to optimise our OSV operations in relation to the type of vessels we operate to focus on AHTS and supply vessels.

To date, most of the laid-up vessels have now been disposed of getting close to the target of optimizing our fleet operation costs. In terms of contract developments, AMRB has secured extensions of the Integrated Logistics Control Tower ("ILCT") contract from PETRONAS at higher charter rates on average.

Vessels not on long-term charter are marketed and secured work primarily from the spot market at better charter rates than the previous three to five years.

The supply side has seen an increase in demand due to higher activities and lower availability of domestically operating vessels.

Subsea

AMRB's Subsea business segment continues to be invaluable in bolstering our synergistic approach to integrated oil and gas services. Furthermore, the performance of our OIC and Subsea segments remains the key reasons we have persevered in the current reporting year. Since we are not a pure-play OSV company, we can leverage the positive business profitability from diverse segments to help buffer the downturn of other segment(s).

Regarding our Subsea segment, we continued to work on ongoing projects previously secured. This included the provision of Subsea inspection, maintenance and repair services for PM3-CAA from Repsol Oil & Gas Malaysia Ltd ("Repsol") which has a duration of 5 years, as well as providing underwater services from the International Petroleum Corporation ("IPC") Malaysia BV which pertains to AMRB's Floating Production Storage and Offloading ("FPSO") Bertam for Underwater Inspection in Lieu of Drydocking ("UWILD").

Overall, we continue to attract new opportunities in the Subsea segment due to pent-up demand for maintenance projects.

OSV (including management fees) (RM'000)

RM60,342

OIC and Subsea (RM'000)

RM246,236

Rental of equipment/ Ship catering/ Other shipping-related income (RM'000)

RM4,025

MANAGEMENT DISCUSSION AND ANALYSIS

Staying Sustainable Through iCARE

Sustainability is always at the forefront of AMRB's mind, with the Management over the past years focused on facilitating the integration of AMRB's internal cultural transformation beyond just work processes. We understand that pushing ourselves to the next level and setting higher standards of excellence is needed to consistently revitalise and reinforce our performances across the Group. This requires work discipline and multiple tightening processes or measures to increase productivity and discard the waste to enhance efficiency levels in our projects in terms of time, budget and safety.

Amid the ongoing global economic uncertainties, we are more determined than ever to further forge shared excellence in performance, customer-centric responsibility as well as Environmental, Social and Governance ("ESG") integrity across our Group through our employees, work ethics and corporate initiatives to fortify shared values in our work culture derived from our iCARE philosophy.

Our Shared Values philosophy and iCARE work culture were established for the purpose of cultivating personal accountability, teamwork, collaboration, discipline and integrity among staff on their performance. It also applies to dealing with customers and clients, where we endeavour to embrace customer centricity, which is the focus of our iCARE work culture. On the other hand, Shared Values help us foster effective teamwork and collaboration. Impossible odds can always be surmounted through collaborative strength and encouragement from each other.

Being one of the leading integrated offshore service providers in Malaysia for the oil and gas industry, we firmly believe that our success is closely tied to our commitment to sustainable practices. Our strategy and sustainable agenda provide the foundation for this belief, but true results only emerge through dedicated execution. Throughout the years, we've demonstrated resilience, agility, and adaptability, even in the most challenging times, by consistently investing in strengthening our physical and human capabilities, safeguarding the environment, and effectively managing risks and opportunities through robust governance structures.

We need to emphasise that the sustainability agenda plays a pivotal role in promoting sustainability throughout our organization. It serves as the overarching framework, based on four key sustainable pillars: Economic, Environmental, Social, and Governance (EESG), which include specific focus areas. We periodically review our sustainability agenda to ensure its alignment with evolving developments in the sustainability landscape, which helps us meet the growing demands of stakeholders and enhance our EESG ratings.

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Lately, in late 2022, the Board has increased its oversight of EESG factors in giving our strategic thrusts on performance and enhancing technical capability and capacity as areas of increasing focus. As a result of this increased focus, the Board intended to place sustainability oversight under the purview of the Board Risk Committee and subsequently change the BRMC to Board Sustainability and Risk Committee.

AMRB realises that it needs to internalise its surrounding environment and the workforce operating in this environment to better formulate meaningful transformation and understanding of the overall direction it needs to pursue as an organisation. By internalising a sense of excellent work delivery via self-motivation, an efficient workflow can be created that ultimately cascades benefits across the company, other employees and its stakeholders. Therefore, knowing what direction to tread is the vital first step for everyone at AMRB to take to move forward as one entity.

Past years' efforts in instilling these Group values have been instrumental in promoting a persistent outlook of positivity, commitment, diligence and performance equality among staff, Management and everyone in AMRB's value chain. The proactive cultural transformation we embarked on years ago has been a solid guiding pillar for everyone at AMRB to lean on. Our employees have truly embodied the iCARE work culture and Shared Values philosophy in successfully planning and executing Group projects throughout AMRB's various business segments.

This is also reflected in everyone's desire to enhance a positive industry reputation towards the Group's performance amid any challenges. We have risen above unprecedented conflict and confusion to shape a sturdier and more cohesive organisation than we could have ever imagined. Although we are aware that there are still areas, we can improve upon to accelerate our transformation process towards operational excellence, we remain judiciously level-headed in firstly prioritising the facilitation of a conducive ecosystem that is obstacle-light to induce high performance. This ensures that AMRB will remain flexible and resilient in navigating these volatile headwinds and other trials in the future.

More information on our sustainability and organisational values can be found in the Sustainability Statement section of this report on page 33.

Continued HSSE Excellence

AMRB's exemplary HSSE performance record continues to be a crucial factor in project execution excellence and delivery as it remains focused on achieving accuracy of cost and duration estimates in delivery, as well as efficiency in project implementation and execution. Naturally, this have to starts with our people, by making sure we prioritise their health and safety as it is key to improved reliability and performance.

Throughout the presence of the COVID-19 pandemic, our HSSE strategy has been geared towards mitigating the virus' impact on the Group and ensuring workers' safety. Among the many preventive measures taken were regular briefings on 'new normal' SOPs; displaying awareness reminders at various locations in the office; conducting random checks on SOP compliance; including COVID-19 inspection criteria in our mandatory Workplace Inspection checklist; regularly updating employees on COVID-19 statistics via email, as well as sharing COVID-19-related news alerts; and encouraging all employees to get their COVID-19 vaccinations and update their vaccination status in an internal portal for us to monitor. To date, all employees have already completed their second dose of vaccination. As of 31 March 2023, zero COVID-19 cases were recorded in the Company.

Given our strong commitment to excellent HSSE, we continued to be encouraged to improve trends across key HSSE indicators in FY2022-23. We achieved 12,108,806.5 hours man-hours without a Loss Time Incident ("LTI") while recording notable improvements in indicators such as recordable injury frequency and severity cases like TRFC, medical treatment ("MTC") and first aid ("FAC") cases, restricted work case ("RWC"), spillage, near misses as well as property damages – all of which remain strong markers of the continuous enhancement AMRB has done for overall HSSE. As with previous years, the Group recorded zero fatality. Our HSSE excellence is due to the collaborative efforts of everyone at AMRB when it comes to driving compliance at levels, portraying a strong action-based safety culture.

All our employees and management personnel across business segments and operational hierarchies significantly contributed to AMRB's first-rate HSSE record. We obtained key insights from the collected survey results which further fortified HSSE awareness and enrichment in our staff's mindset and behaviour. We are confident that these results signal a

MANAGEMENT DISCUSSION AND ANALYSIS

generative HSSE culture becoming rooted in AMRB. Our performance as reflected in the statistics above thus far shows that we advocate a strong generative HSSE culture that instils discipline in compliance and promotes greater awareness.

Moving forward, the primary challenge to tackle would be maintaining and building on this positive momentum. A safer workplace allows an entire organisation to produce excellent performances while garnering unanimous support and appreciation from our clients. This ultimately gives us the critical competitive edge of our tenders across the industry.

Anticipated or Known Risks

The Group's key business segments – OSV and Subsea work – are generally dependent on the level of activity of Malaysia's oil and gas majors, in particular, PETRONAS. The level of E&P activities by oil and gas majors hinges on the present and expected stability of future prices of crude oil and gas.

In Malaysia, the demand for upstream works is mainly determined by PETRONAS, which holds the exclusive rights of mineral exploitation in Malaysia under the Petroleum Development Act 1974 ("PDA"). In essence, the risk of AMRB as an oil and gas service provider to achieving its corporate objectives is very much tied to PETRONAS' exploration and production plans and activities in Malaysia.

Beyond these general risks, the Group has clearly identified its operational and financial risks and maintains a risk register, especially given the pandemic's presence which has shifted the organisation's mindset into pursuing feasible operations in a post-pandemic landscape. Our commitment towards managing risks is centred on the following dimensions:

- Asset Reliability: Maximising operational readiness to ensure timely delivery of assets to clients and to maintain desired uptime performance.
- Optimising human capability and performance towards managing operational costs, schedule and delivery of the Group's OSVs and Subsea projects.
- Ensuring robust controls and governance over internal systems and procedures to ensure adherence to clients' requirements.
- Realising overall Group profitability and business sustainability by driving business segment diversification given the present challenging external environment.
- Allocating sufficient funding to support projects financially to ensure smooth execution of project implementation. Thus, Group financial standing is an essential award criterion in securing projects, apart from being technically acceptable.

AMRB has identified Assets Utilisation, Assets Readiness and Capital Constraints as the Group's principal risks, which if not well managed and executed, can potentially impact operational resilience and overall growth and sustainability in the long term.

Based on the aforementioned risks, effective mitigation action plans have been formulated and implemented. Such plans are rigorously deliberated by the Group Risk Management Working Committee ("GRMWC") which reports to the Board Risk Management Committee ("BRMC") on a quarterly basis. Throughout FY2022-23, the following key risk mitigation actions were implemented:

- Capital Debt Restructuring to manage long-term payables with lenders
- Manpower rightsizing
- Maintaining good supplier relationships to facilitate better credit terms
- Continued cost optimisation efforts and expedited billing and recovery from clients
- Sale of laid-up vessels
- Undertaking of vessel repairs during dry docking
- Integrated procurement functions to improve lead time
- Continued aggressive initiation of business development activities

With the restructuring of our debt, we are determined to significantly reduce our financial risks and provide healthy balance sheets moving forward.

Further details of our risk mitigation and internal controls are given at length within the Statement of Risk Management and Internal Control section of this annual report.

Outlook and Prospects

Prospects for economic growth in general and crude oil prices, particularly for the second half of 2023 and beyond, will significantly depend on a myriad of positive and negative international factors and market forces, from the continual geopolitical conflict in Eastern Europe to the volatile global market.

According to the International Monetary Fund ("IMF"), global growth is projected to fall from an estimated 3.5% in 2022 to 3.0% in both 2023 and 2024. The rise in central bank policy rates to fight inflation is poised to continue weighing on economic activity. In addition, global headline inflation is expected to fall from 8.7% in 2022 to 6.8% in 2023 and 5.2% in 2024. Changes to these estimations will depend on factors such as the intensification of the Russia-Ukraine conflict and extreme weather-related events.

International demand for primary energy, including oil and gas, is forecast to rise by 23% through 2045, according to the Organisation of the Petroleum Exporting Countries ("OPEC"). Thus, OPEC has continued to maintain an upbeat view on oil demand growth for next year in its most recent outlook, predicting a 2.2% increase in oil demand in 2024 despite headwinds.

Furthermore, oil prices are poised to surge in 2024 following deepened production cuts by OPEC members Saudi Arabia and Russia in July 2023. This is in line with a broader OPEC+ agreement to limit supply that was first introduced in April 2023 with total output reductions of more than five million barrels per day, or about 5% of global oil output.

Meanwhile, the International Energy Agency ("IEA") forecasts that oil demand from China and developing countries will also help to keep the market tight in the second half of 2023. This is in light of the robust demand rebound following China's lifting of COVID-19 restrictions and the fact that countries outside the Organisation for Economic Cooperation and Development ("OECD") group of developed countries are anticipated to make up 90% of demand growth this year.

Malaysian Economic Outlook

Malaysia's economic prospects remain positive for the second half of 2023 despite the unpredictable global environment witnessed in the first half. Economic experts are of the view that the Malaysian government's gross domestic product ("GDP") target of 4% to 5% for 2023 is on track to being achieved with continuous support from intact economic fundamentals, improved outlook, strong households and implementation of Budget 2023 measures.

In addition, external factors impacting the economy in the first half of 2023, including the United States Federal Reserve's monetary stance and the US dollar, will likely have a favourable impact on the Malaysian economy.

The Malaysian government relies heavily on the oil and gas sector, specifically the upstream segment, for its finances. Oil and gas contribution to the Malaysian GDP stands at a whopping 20% and its multiplier impact spills over to other sectors of GDP. In 2022, the crude oil and condensate sector was estimated to contribute 4.3% to Malaysia's GDP, an increase from the 3.6% share of the GDP in the previous year. Economic experts predict a further increase in contribution to the GDP in 2023.

As reflected in the PETRONAS Activity Outlook 2023-2025, the growing focus on clean and renewable energy will play a crucial role in shaping the future of the oil and gas industry. This push towards a lower-carbon future is in line with global concerns about the effects of climate change, with PETRONAS setting a target of net zero carbon emissions by 2050 by leveraging both technologies and nature-based climate solutions.

AMRB's Business Segment Prospects

The business outlook for Alam Maritim Group is influenced by the level of capital expenditure spent by Malaysia's oil majors, which is in line with the volume of exploration and production activities. The PETRONAS Activity Outlook for 2023-2025 indicates that PETRONAS maintains its prudent view of the industry outlook and will respond with cautious optimism, particularly on new capital projects.

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Notwithstanding the above, the Group's Directors will continue to exercise due care in managing and implementing effective strategies for the Group's business and will ensure that shareholders' values are strategically enhanced from time to time.

AMRB will continue leveraging its business model of synergistic solutions to better optimise the strengths and capabilities of its various business segments. This will be done in tandem with the pursuit of an asset-light strategy, as AMRB will also keep transforming its business by continuing to dispose of ageing and surplus vessels that have little prospect in securing or servicing contracts.

AMRB's synergistic pivot also looks to massively take advantage of projected industry trends and developments. This is reflected in the PETRONAS Activity Outlook 2022-2024, which shows that offshore fabrication prospects have a steady medium-term outlook (post-2024) for the fabrication of fixed structures (especially Lightweight) and subsea facilities as PETRONAS continues monetising its oil and gas resources to generate cashflow while meeting the demands of customers.

A more modest outlook is still expected for heavier structures as cost competitiveness will drive development projects to opt for Wellhead Platform ("WHP") tie-ins to existing nearby facilities. This modest outlook also extends to floaters, as technology innovation presents favourable options for the monetisation of remote fields.

Subsea facilities are also seeing positive prospects, with the PAO auguring that demand for Subsea Umbilical, Riser and Flowline ("SURF") in 2023 could rise further as more deepwater projects are maturing, as Malaysia's deepwater projects are also having long-term arrangements for SURF as one of the options to support the project requirement.

AMRB is also well aware that the success of AMRB's business prospects is also dependent on the smooth completion and success of the Proposed Debt Restructuring activity that the Group is currently working on.

AMRB consistently strives to foster potential business partnerships and strategic alliances to enhance our ability to win even more contracts while also improving our capabilities of successfully delivering on our contractual commitments. We remain determined to make aggressive bids for new contracts to continue raising our order book value and strengthening our overall operations.

Strategic Positioning

Our restructuring plan will continue to focus on assessing and recommending which part of the business should be maintained, grown, divested, enact interventions where required and also drive the transition moving forward while remaining cognisant of the necessary strategic trade-off between long-term sustainability and accelerating high-value returns to the Group. In particular, we continued our debt and financial restructuring initiatives to eliminate any standing debt obligation and hope to achieve a positive turnaround in financial performance in all business segments in the coming years.

We also continue to explore the reshaping of our portfolio mix to focus on those with faster returns and less volatility, as well as sharing of risk, profit and liabilities and being an asset-light organisation. This means we need to pursue more meaningful collaborations with external parties. We target working with partners who are able to solve common business challenges and improve performance and efficiency using jointly developed solutions while sharing risks and costs.

To accelerate the execution of these initiatives, we have also continued to retool our human resources capability pool in order to better harness our existing internal strength, capabilities, resources and brand name. We are dedicated to ensuring that our workforce is well-positioned to keep delivering on our strategies and commitments with pace and focused execution. This requires a continuous reassessment and enhancement of our talent strategies as well as a redefinition of our workforce ecosystem.

We also recognise the need to accelerate organisational agility in shifting the work culture and mindset. At the core of these initiatives is our desire to build and sustain trusting teams that are committed towards focused execution across the Group to progress further. This is critical if we intend to deliver on our strategies and commitments, grounded upon principles of merit and performance in all our endeavours, to earn the respect and trust of our clients. This is complemented by the strict observance of Quality, Health, Safety, Security and the Environment ("QHSSE"), asset integrity, continuous operations and uninterrupted service as well as our strict adherence high commitment to perform based on the principles of EESG.

In achieving these strategic objectives, we ultimately seek the support of all our stakeholders, including our customers, clients, creditors and subcontractors, to continue supporting us as we emerge from strategic restructuring, collaborations and diversification into a more vibrant oil and gas market with much stronger management and operational position. The robust fundamental infrastructure of our business model remains strong and will continue to serve as the framework for our future growth.

Dividends

The Group's ability to pay dividends is subject to its profit performance for the financial year as well as the need to preserve capital to fund business development and to ensure its financial and operational sustainability in the long term. Management has not declared any dividend for FY2022-23.

DATUK AZMI AHMAD
Group Managing Director/ Group Chief Executive Officer