

**QUARTERLY REPORT**

This is a quarterly report on consolidated results for the period ended 30 September 2018  
The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

	QUARTER ENDED		CUMULATIVE 9 MONTHS ENDED	
	30 SEPT 2018	30 SEPT 2017	30 SEPT 2018	30 SEPT 2017
	RM '000	RM '000	RM '000	RM '000
Revenue	289,802	215,350	701,116	708,460
Other operating income	<u>1,077</u>	<u>(3,769)</u>	<u>32,827</u>	<u>(484)</u>
Operating (loss) / profit	(22,736)	17,081	(97,037)	(9,275)
Share of results of joint ventures	(2)	(1,292)	(768)	(6,004)
(Loss) / profit before taxation	<u>(22,738)</u>	<u>15,789</u>	<u>(97,805)</u>	<u>(15,279)</u>
Taxation	<u>(113)</u>	<u>431</u>	<u>(528)</u>	<u>574</u>
(Loss) / profit after taxation	<u>(22,851)</u>	<u>16,220</u>	<u>(98,333)</u>	<u>(14,705)</u>
<b>Other comprehensive income:</b>				
Fair value (loss) / gain on cash flow hedges	<u>-</u>	<u>(851)</u>	<u>-</u>	<u>7,006</u>
<b>Total comprehensive (loss) / income for the period</b>	<u>(22,851)</u>	<u>15,369</u>	<u>(98,333)</u>	<u>(7,699)</u>
<b>(Loss) / profit attributable to:</b>				
Equity holders of the Company	(22,718)	16,409	(97,472)	(13,900)
Non-controlling interests	<u>(133)</u>	<u>(189)</u>	<u>(861)</u>	<u>(805)</u>
	<u>(22,851)</u>	<u>16,220</u>	<u>(98,333)</u>	<u>(14,705)</u>
<b>Total comprehensive (loss) / income attributable to:</b>				
Equity holders of the Company	(22,718)	15,558	(97,472)	(6,894)
Non-controlling interests	<u>(133)</u>	<u>(189)</u>	<u>(861)</u>	<u>(805)</u>
	<u>(22,851)</u>	<u>15,369</u>	<u>(98,333)</u>	<u>(7,699)</u>
(Loss) / profit per share attributable to equity holders of the Company:				
(i) Basic (sen)	(1.4)	1.0	(6.1)	(0.9)
(ii) Dilutive (sen)	(1.4)	1.0	(6.1)	(0.9)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018**

	30 SEPT 2018 RM '000	31 DEC 2017 RM '000 RESTATE (NOTE A3)
Non-current assets		
Property, plant and equipment	1,576,075	1,524,860
Land use rights	211,032	216,353
Investment in joint ventures	4,159	4,927
Deferred tax assets	93,425	93,293
	<u>1,884,691</u>	<u>1,839,433</u>
Current assets		
Inventories	5,136	2,399
Trade & other receivables	640,048	819,278
Tax recoverable	20,336	20,864
Cash and bank balances	593,101	674,968
	<u>1,258,621</u>	<u>1,517,509</u>
<b>TOTAL ASSETS</b>	<b><u>3,143,312</u></b>	<b><u>3,356,942</u></b>
Equity attributable to equity holders of the Company		
Share capital	1,618,263	1,618,263
Retained earnings	816,012	961,484
	<u>2,434,275</u>	<u>2,579,747</u>
Non-controlling interests	352	1,213
Total equity	<u>2,434,627</u>	<u>2,580,960</u>
Current liabilities		
Trade & other payables	708,685	775,982
	<u>708,685</u>	<u>775,982</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>3,143,312</u></b>	<b><u>3,356,942</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

	30 SEPT 2018	30 SEPT 2017
	RM '000	RM '000
Loss before taxation	(97,805)	(15,279)
Adjustments for:		
Property, plant and equipment		
- depreciation	57,843	57,159
- write off	521	120
Amortisation of land use rights	5,321	5,321
Net (reversal) / allowance for impairment loss on trade receivables	(3,341)	4,530
Interest income	(10,458)	(9,910)
Change in fair value of hedging derivatives	-	247
Net unrealised (gain) / loss on foreign exchange	(8,602)	21,116
Inventories written back	-	293
Share of results of joint ventures	768	6,004
Operating (loss) / profit before working capital changes	(55,753)	69,601
Inventories	(2,737)	2,369
Trade and other receivables	192,493	151,995
Trade and other payables	(68,749)	(232,738)
Cash generated from / (used in) operations	65,254	(8,773)
Tax paid	-	(2,083)
Net cash generated from / (used in) operations activities	65,254	(10,856)
Purchase of property, plant and equipment	(109,579)	(34,822)
Interest received	10,458	9,844
Net cash used in investments activities	(99,121)	(24,978)
Dividends paid to equity holders of the Company	(48,000)	-
Repayment on Sukuk Murabahah credit facilities	-	(20,000)
Interest paid	-	(658)
Net cash used in financing activities	(48,000)	(20,658)
Net change in cash & cash equivalents	(81,867)	(56,492)
Cash & cash equivalents at the beginning of the year	674,968	671,128
Cash & cash equivalents at the end of the period	593,101	614,636

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	<-----Attributable to equity holders of the Company----->						
	Share Capital RM '000	Share Premium RM '000	Distributable Retained Earnings RM '000	Cash flow Hedge Reserve RM '000	Total RM '000	Non-controlling Interests RM '000	Total Equity RM '000
<b>9 MONTHS ENDED 30 SEPTEMBER 2018 (RESTATED - NOTE A3)</b>							
<b>At 1 January 2018</b>	1,618,263	-	961,484	-	2,579,747	1,213	2,580,960
Total comprehensive loss	-	-	(97,472)	-	(97,472)	(861)	(98,333)
Dividends paid to equity holders of the Company	-	-	(48,000)	-	(48,000)	-	(48,000)
<b>At 30 September 2018</b>	<b>1,618,263</b>	<b>-</b>	<b>816,012</b>	<b>-</b>	<b>2,434,275</b>	<b>352</b>	<b>2,434,627</b>
<b>9 MONTHS ENDED 30 SEPTEMBER 2017</b>							
<b>At 1 January 2017</b>	800,000	818,263	923,915	(6,561)	2,535,617	3,000	2,538,617
Total comprehensive (loss) / income	-	-	(13,900)	7,006	(6,894)	(805)	(7,699)
Transition in accordance with section 618(2) of the Companies Act 2016 to no-par value regime on 31 January 2017 <sup>Note a</sup>	818,263	(818,263)	-	-	-	-	-
<b>At 30 September 2017</b>	<b>1,618,263</b>	<b>-</b>	<b>910,015</b>	<b>445</b>	<b>2,528,723</b>	<b>2,195</b>	<b>2,530,918</b>

Note a:

Pursuant to Section 74 of the Companies Act, 2016 ('the act'), the Company's shares no longer have a par or nominal value with effect from 31 January 2017. In accordance with the transitional provision set out in section 618 of the Act, any amount standing to the credit of the share premium account becomes part of the Company's share capital. Companies have 24 months upon the commencement of the Act to utilise the credit.

There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition. During the financial period, the Company has not utilised any of the credit in the share premium account which is now part of share capital.

## **NOTES TO THE CONDENSED FINANCIAL REPORT**

The figures have not been audited.

### **A1. CORPORATE INFORMATION**

Malaysia Marine and Heavy Engineering Holdings Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia.

These condensed consolidated interim financial statements were approved by the Board of Directors on 24 October 2018.

### **A2. BASIS OF PREPARATION**

The condensed consolidated interim financial statements (Condensed Report) have been prepared under the historical cost convention.

These condensed consolidated interim financial statements for the period ended 30 September 2018 have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirement of Bursa Malaysia. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

The condensed report should be read in conjunction with the audited financial statements for financial year ended 31 December 2017. The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2017.

### **A3. SIGNIFICANT ACCOUNTING POLICIES**

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 31 December 2018 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2017.

At the beginning of the current financial year, the Group and the Company adopted new MFRSs, Amendments to MFRSs and an IC Interpretation (collectively referred to as "pronouncements") that have been issued by the MASB and are applicable as listed below:

#### **Effective for annual periods beginning on or after 1 January 2018**

Amendments to MFRS 2: Shared-based Payment: Classification and Measurement of Share-based Payment Transactions  
MFRS 9: Financial Instruments  
MFRS 15: Revenue from Contracts with Customers  
Amendments to MFRS 140 Investment Property: Transfer of Investment Property  
Annual Improvements to MFRS Standards 2014-2016 Cycle  
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

The adoption of these pronouncements did not have a significant impact to the financial statements of the Group and the Company except as mentioned below:

#### **(a) MFRS 15: Revenue from Contracts with Customers**

MFRS 15 replaces the guidance in MFRS 111: Construction Contracts, MFRS 118: Revenue, IC Interpretation 13: Customer Loyalty Programmes, IC Interpretation 15: Agreements for Construction of Real Estate, IC Interpretation 18: Transfer of Assets from Customers and IC Interpretation 131: Revenue - Barter Transactions involving Advertising Services. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

The Group has decided to apply MFRS 15 retrospectively with cumulative effect on initially applying this standard as an adjustment to the opening balance of retained earnings as at the date of initial application. Under this transition method, the Group applies this standard retrospectively, only to revenue contracts that are not completed at the date of initial application (i.e. 1 January 2017).

The effect of adopting MFRS 15 is, as follows:

**Impact on Statement of Financial Position (increase / (decrease)) as at 31 December 2017:**

	<u>RM '000</u>
Current assets	
Trade & other receivables	(27,774)
<b>TOTAL ASSETS</b>	<u><b>(27,774)</b></u>
Equity attributable to equity holders of the Company	
Retained earnings	3,336
Total equity	<u>3,336</u>
Current liabilities	
Trade & other payables	(31,110)
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>(31,110)</b></u>

**Impact on Statement of Profit or Loss (increase / (decrease)) as at 31 December 2017:**

	<u>RM '000</u>
Revenue	(27,774)
Cost of Sales	31,110
<b>Total Comprehensive Income for the Period</b>	<u>3,336</u>
Attributable to:	
Equity holders of the parent	3,336

**(b) MFRS 9: Financial Instruments**

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments:

- classification and measurement;
- impairment; and
- hedge accounting.

With the exception of hedge accounting, the Group has applied MFRS 9 retrospectively, with the initial application date of 1 January 2018 and adjusting the comparative information for the period beginning 1 January 2017.

The adoption of MFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Group does not have other financial assets other than Contract assets and Trade and other receivables, for which the Group has applied the standard's simplified approach and calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment in which the business is operating in.

The impact upon application of the new impairment model was not material in relation to the opening balance of the Group as at 1 January 2018.

#### A4. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors issued an unqualified report on the financial statements for the year ended 31 December 2017.

#### A5. SEASONALITY OR CYCLICALITY OF OPERATIONS

The businesses of the Group are subject to fluctuations in level of activities in the oil and gas and shipping industries.

#### A6. EXCEPTIONAL ITEMS

There were no exceptional items during the quarter ended 30 September 2018.

#### A7. CHANGES IN ESTIMATES

There were no material changes in estimates reported in the current period or prior financial year.

#### A8. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuance or repayment of debt and equity securities, share buy-backs, share cancellation or shares held as treasury shares and resale of treasury shares during the quarter ended 30 September 2018.

#### A9. DIVIDEND PAID

The Company paid the following dividends during the period ended 30 September 2018 and year ended 31 December 2017:

	30 June 2018		31 December 2017	
	Sen/Share	RM million	Sen/Share	RM million
Final tax exempt dividend in respect of:				
- Financial year ended 31 December 2017 on 8 March 2018	3.0	48.0	-	-

#### A10. SEGMENT REPORT

Segmental analysis for the current financial period is as follows:

	Heavy Engineering*	Marine	Others	Eliminations	Total
REVENUE AND RESULTS	RM '000	RM '000	RM '000	RM '000	RM '000
<b>Revenue</b>					
External	<u>427,403</u>	<u>273,713</u>	<u>-</u>	<u>-</u>	<u>701,116</u>
<b>Results</b>					
Operating loss	<u>(40,604)</u>	<u>(48,754)</u>	<u>(7,498) ***</u>	<u>(181) **</u>	<u>(97,037)</u>
Share of results of joint ventures					(768)
<b>Loss before taxation</b>					<u><u>(97,805)</u></u>

\* Heavy Engineering segment comprises mainly offshore and onshore oil and gas works.

\*\* Inter-segment transactions are eliminated on consolidation.

\*\*\* Comprise of net foreign exchange loss and interest income.

There has been no material change in total assets and no differences in the basis of segmentation or in the basis of measurement of segment profit or loss as compared to the last annual financial statements.

#### A11. PROFIT FOR THE PERIOD

	Quarter Ended		Cumulative 9 Months Ended	
	30 Sept 2018 RM '000	30 Sept 2017 RM '000	30 Sept 2018 RM '000	30 Sept 2017 RM '000
<b>Profit / (Loss) for the period is arrived at after charging:</b>				
Amortisation of land use rights	1,773	1,774	5,321	5,321
Net unrealised loss on foreign exchange	-	3,441	-	21,116
Inventories written off	-	296	-	293
Net fair value loss on derivatives	-	-	-	247
Property, plant and equipment				
- depreciation	18,983	15,808	57,843	57,159
- written off	(24)	120	521	120
Allowance for impairment loss on trade receivables	4,461	3,519	1,189	4,530
<b>after (crediting):</b>				
Net income from scrap disposal	(469)	(484)	(1,337)	(1,778)
Interest income	(5,078)	(4,882)	(10,458)	(9,910)
Net fair value gain on derivatives	-	(2,628)	-	-
Net unrealised gain on foreign exchange	(710)	-	(8,602)	-
Rental income				
- land	(105)	(19)	(136)	(62)
- building	(359)	(577)	(2,332)	(3,870)
- equipments	(32)	(107)	(234)	(352)

#### A12. VALUATION OF PROPERTY

The valuations of land and buildings have been brought forward without any amendments from the most recent annual audited financial statements as no revaluation has been carried out since 31 December 2017.

#### A13. SUBSEQUENT MATERIAL EVENT

There was no material event subsequent to the quarter end date.

#### A14. CHANGES IN THE COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group.

#### A15. CONTINGENT LIABILITIES

Contingent liabilities of the Group comprise the following :-

	30 Sept 2018 RM '000	31 Dec 2017 RM '000
<b>Unsecured</b>		
Bank guarantees extended to: -		
- Related companies	103,111	122,950
- Third parties	56,280	138,714
	<u>159,391</u>	<u>261,664</u>



## A16. CAPITAL COMMITMENTS

	30 Sept 2018 RM '000	31 Dec 2017 RM '000
Approved and contracted for	357,946	301,543
Approved but not contracted for	186,666	212,748
	<u>544,612</u>	<u>514,291</u>

The outstanding capital commitments relate to the infrastructure upgrading works under the Yard Optimisation Programme and other investment projects.

## B1. REVIEW OF PERFORMANCE

	Quarter Ended		Cumulative 9 Months Ended	
	30 Sept 2018 RM '000	30 Sept 2017 RM '000	30 Sept 2018 RM '000	30 Sept 2017 RM '000
<b>Revenue</b>				
Heavy Engineering	178,381	117,627	427,403	429,047
Marine	111,421	97,723	273,713	279,413
Others	-	(2)	-	417
Eliminations/Adjustments	-	2	-	(417) <sup>*^</sup>
	<u>289,802</u>	<u>215,350</u>	<u>701,116</u>	<u>708,460</u>
<b>Results</b>				
Heavy Engineering	(4,084)	(1,797)	(40,604)	(48,267)
Marine	(15,988)	16,980	(48,754)	40,707
Others	(3,144)	2,228	(7,498)	(1,144)
Eliminations/Adjustments	480	(330)	(181)	(571) <sup>*#</sup>
<b>Operating (loss) / profit</b>	<u>(22,736)</u>	<u>17,081</u>	<u>(97,037)</u>	<u>(9,275)</u>
Share of results of joint ventures	(2)	(1,292)	(768)	(6,004)
<b>(Loss) / profit before taxation</b>	<u>(22,738)</u>	<u>15,789</u>	<u>(97,805)</u>	<u>(15,279)</u>

\* Inter-segment revenue and transactions are eliminated on consolidation.

^ Inter-segment revenue elimination

Others	-	(2)	-	417
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# Inter-segment operating loss elimination

Heavy Engineering	(389)	267	147	462
Marine	(91)	63	34	109

### Performance of current quarter against the quarter ended 30 September 2017 ("corresponding quarter").

The Group's revenue of RM289.8 million was 35% higher than the corresponding quarter's revenue of RM215.4 million with higher revenue in both, Heavy Engineering and Marine, segments. However, the Group reported an operating loss of RM22.7 million against RM17.1 million profit in the corresponding quarter.

Segmental review of performance against the corresponding quarter is as follows:

#### Heavy Engineering

Revenue of RM178.4 million was 52% higher than RM117.6 million reported in the corresponding quarter, mainly due to higher revenue from an ongoing project in the current quarter.

Heavy Engineering recorded an operating loss of RM4.1 million against RM1.8 million loss in the corresponding quarter, mainly due to additional cost provisions made for ongoing projects in the current quarter.

### **Marine**

Revenue of RM111.4 million was higher than the corresponding quarter's revenue of RM97.7 million, mainly due to higher revenue from conversion works as well as dry docking activities in the current quarter.

Marine recorded RM16.0 million operating loss against RM17.0 million profit in the corresponding quarter, mainly due to additional costs incurred on conversion works, where revenue recognition is still pending verification and approval with clients, and compressed margins for dry docking activities in the current quarter.

### **Share of results of joint ventures**

The Group recorded a marginal loss from its share of results in joint ventures in the current quarter.

### **Performance of current cumulative 9 months against cumulative 9 months ended 30 September 2017 ("corresponding period")**

Group revenue of RM701.1 million was 1% lower than RM708.5 million revenue reported in the corresponding period, mainly due to lower revenue in both, Marine and Heavy Engineering, segments. The Group recorded a higher operating loss of RM97.0 million against RM9.3 million loss in the corresponding period.

Analysis of segmental performance against the corresponding period is as follows:-

### **Heavy Engineering**

Revenue of RM427.4 million was slightly lower than the corresponding period's revenue of RM429.0 million, mainly due to fewer ongoing projects in hand.

The segment registered a lower operating loss of RM40.6 million from RM48.3 million loss in the corresponding period, mainly due to finalisation of completed projects in the current period.

### **Marine**

Revenue of RM273.7 million was slightly lower than the corresponding period's revenue of RM279.4 million, mainly due to lesser dry docking repair works secured, as some ship owners had deferred their dry docking to a later period than planned, and lower revenue from conversion works in the current period.

The segment recorded an operating loss of RM48.8 million from RM40.7 million profit in the corresponding period, mainly due to additional costs incurred on conversion works where revenue recognition are still pending verification and approval by clients as well as lower margins earned on dry docking works in the current period.

### **Share of results of joint ventures**

Share of loss in joint ventures of RM0.8 million was lower compared to the corresponding period's loss of RM6.0 million following planned cessation of operations in a joint venture in the current period.

## B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Quarter Ended	
	30 Sept 2018 RM '000	30 June 2018 RM '000
<b>Revenue</b>		
Heavy Engineering	178,381	137,754
Marine	111,421	85,285
	<u>289,802</u>	<u>223,039</u>
<b>Results</b>		
Heavy Engineering	(4,084)	(23,736)
Marine	(15,988)	(25,573)
Others	(3,144)	179
Eliminations/Adjustments	480	(331)
<b>Operating loss</b>	<u>(22,736)</u>	<u>(49,461)</u>
Share of results of joint ventures	(2)	(240)
<b>Loss before taxation</b>	<u>(22,738)</u>	<u>(49,701)</u>

The Group's revenue of RM289.8 million was 30% higher than the preceding quarter's revenue of RM223.0 million with higher revenue from both Heavy Engineering and Marine segments. Commencement of new order intake and higher revenue from ongoing projects contributed to the increase in Heavy Engineering revenue while higher dry docking activities contributed to the increase in marine revenue for the quarter.

Following increase in revenue, the Group posted a lower loss before tax of RM22.8 million against RM49.7 million in the preceding quarter.

## B3. REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 Sept 2018 RM '000	As at 31 Dec 2017 RM '000	Variance %
Total assets	3,143,312	3,356,942	-6%
Total Equity attributable to equity holders of the Company	2,434,275	2,579,747	-6%
Total liabilities	708,685	775,982	-9%

The Group's total assets decreased by RM213.6 million or 6%, mainly due to lower receivables from lesser work in progress as at the end of the current period.

The reduction in the total equity by RM145.4 million or 6%, due to the cumulative losses recognised during the period and dividends paid to shareholders in March 2018.

The decrease in the Group's total liabilities by RM67.3 million or 9%, mainly due to decrease in payables during the period.

## B4. REVIEW OF GROUP CASH FLOW

	Cumulative 9 Months Ended		Variance %
	30 Sept 2018 RM '000	30 Sept 2017 RM '000	
Net cash generated from / (used in) operating activities	65,254	(10,856)	701%
Net cash used in investing activities	(99,121)	(24,978)	-297%
Net cash used in financing activities	(48,000)	(20,658)	-132%
Net change in cash & cash equivalents	(81,867)	(56,492)	-45%

Net cash generated from operating activities was higher by RM76.1 million from higher collections during the period.

Net cash used in investing activities was higher by RM74.1 million, mainly due to the increase in construction in progress for dry-dock 3.

Net cash used in financing activities of RM48.0 million represented the dividends paid to shareholders in March 2018, while corresponding period's outflow from financing was mainly for Sukuk repayment of RM20.0 million.

## B5. CURRENT YEAR PROSPECTS

With oil prices hovering between USD70 - USD80 per barrel, the Group expects to see improvement in the offshore spending by oil majors. While this augurs well for order book replenishment, the Group is not expecting significant contribution from the Heavy Engineering segment for the remaining of this year.

In view of the impending compliance to the International Maritime Organisation (IMO) fuel sulphur cap ruling by January 2020, the Group expects a pickup in marine repair activities in the coming year. Whilst the Group is optimistic of maintaining current level of marine repair activities for the final quarter of this year, the Marine segment performance has been affected by deferment of dry dockings by clients in the first half of this year as well as protracted claim discussions with marine conversion clients.

As the industry outlook continues to be challenging in the current financial year, the Group remains cautious and will focus on replenishing its order book in various geographical areas. Effort to ensure competitiveness of ongoing and future bids are progressing and remains a priority.

## B6. VARIANCE OF ACTUAL RESULTS COMPARED WITH FORECASTED AND SHORTFALL IN PROFIT GUARANTEE

The Company did not provide any profit forecast or profit guarantee in any public document.

## B7. TAXATION

	30 Sept 2018 RM '000	30 Sept 2017 RM '000
Taxation for the year comprises the following:		
Income tax (credit) / charge		
- current period	528	408
- prior year	-	(953)
Deferred taxation	-	(29)
	<u>528</u>	<u>(574)</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

## B8. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments for the quarter ended 30 September 2018.

## B9. CHANGES IN MATERIAL LITIGATION

On 27 September 2018, The Group had received a Notice of Arbitration from EA Technique (M) Berhad ("EATech") for a number of claims in relation to the contract for Provision of Demolition, Refurbishment and Conversion of Donor Vessel into a Floating, Storage and Offloading Facility for Full Development Project, North Malay Basin.

The Group had served a Payment Claim against EATech under the Construction Industry Payment and Adjudication Act 2012 ("CIPAA") amounting to USD30.2 million on 5 October 2018. The Group reserves its right to pursue any other legal actions as may be permitted under the Malaysian Law including further claims under CIPAA.

The Group is currently preparing a response to the Notice of Arbitration issued by EATech, to defend and to make counter claims in the arbitration proceedings for amongst others, unpaid invoices pursuant to Additional Work Orders and costs.

The claims by EATech are not expected to have an adverse material impact to the financial position as well as to the operations of the Group.

## B10. DIVIDEND PROPOSED

No dividend has been proposed for the quarter ended 30 September 2018.

**B11. DERIVATIVES**

There is no derivative outstanding as at 30 September 2018.

**B12. EARNING / (LOSS) PER SHARE**

	Quarter Ended		Cumulative 9 Months Ended	
	30 Sept 2018	30 Sept 2017	30 Sept 2018	30 Sept 2017
Basic earning per share are computed as follows:				
(Loss) / Profit for the period attributable to equity holders of the Company (RM '000)	(22,718)	16,409	(97,472)	(13,900)
Weighted average number of ordinary shares in issue (thousand)	1,600,000	1,600,000	1,600,000	1,600,000
<b>Basic earning per share (sen)</b>	<b><u>(1.4)</u></b>	<b><u>1.0</u></b>	<b><u>(6.1)</u></b>	<b><u>(0.9)</u></b>

The Group does not have any financial instrument which may dilute its basic earnings per share.