

QUARTERLY REPORT

This is a quarterly report on consolidated results for the year ended 31 December 2018
The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	QUARTER ENDED		FULL YEAR ENDED	
	31 DEC 2018	31 DEC 2017	31 DEC 2018	31 DEC 2017
	RM '000	RM '000	RM '000	RM '000
Revenue	273,238	247,954	974,354	956,414
Other operating (loss) / income	<u>(8,607)</u>	<u>3,659</u>	<u>24,220</u>	<u>3,175</u>
Operating (loss) / profit	(29,156)	23,532	(126,193)	14,257
Finance cost	(920)	-	(920)	-
Share of results of joint ventures	3,773	2,765	3,005	(3,239)
(Loss) / profit before taxation	<u>(26,303)</u>	<u>26,297</u>	<u>(124,108)</u>	<u>11,018</u>
Taxation	<u>473</u>	<u>20,854</u>	<u>(55)</u>	<u>21,428</u>
(Loss) / profit after taxation	<u>(25,830)</u>	<u>47,151</u>	<u>(124,163)</u>	<u>32,446</u>
Other comprehensive income:				
Fair value (loss) / gain on cash flow hedges	<u>-</u>	<u>(445)</u>	<u>-</u>	<u>6,561</u>
Total comprehensive (loss) / income for the period	<u>(25,830)</u>	<u>46,706</u>	<u>(124,163)</u>	<u>39,007</u>
(Loss) / profit attributable to:				
Equity holders of the Company	(25,219)	48,133	(122,691)	34,233
Non-controlling interests	<u>(611)</u>	<u>(982)</u>	<u>(1,472)</u>	<u>(1,787)</u>
	<u>(25,830)</u>	<u>47,151</u>	<u>(124,163)</u>	<u>32,446</u>
Total comprehensive (loss) / income attributable to:				
Equity holders of the Company	(25,219)	47,688	(122,691)	40,794
Non-controlling interests	<u>(611)</u>	<u>(982)</u>	<u>(1,472)</u>	<u>(1,787)</u>
	<u>(25,830)</u>	<u>46,706</u>	<u>(124,163)</u>	<u>39,007</u>
(Loss) / profit per share attributable to equity holders of the Company:				
(i) Basic (sen)	(1.6)	3.0	(7.7)	2.1
(ii) Dilutive (sen)	(1.6)	3.0	(7.7)	2.1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	31 DEC 2018 RM '000	31 DEC 2017 RM '000
Non-current assets		
Property, plant and equipment	1,595,203	1,524,860
Land use rights	209,258	216,353
Investment in joint ventures	7,751	4,927
Deferred tax assets	93,293	93,293
	<u>1,905,505</u>	<u>1,839,433</u>
Current assets		
Inventories	5,646	2,399
Trade & other receivables	669,808	847,052
Tax recoverable	20,517	20,864
Cash and bank balances	589,331	674,968
	<u>1,285,302</u>	<u>1,545,283</u>
TOTAL ASSETS	<u>3,190,807</u>	<u>3,384,716</u>
Equity attributable to equity holders of the Company		
Share capital	1,618,263	1,618,263
Retained earnings	788,809	958,148
	<u>2,407,072</u>	<u>2,576,411</u>
Non-controlling interests	(259)	1,213
Total equity	<u>2,406,813</u>	<u>2,577,624</u>
Non-Current Liabilities		
Long Term Loan	48,354	-
Current liabilities		
Trade & other payables	735,640	807,092
TOTAL EQUITY AND LIABILITIES	<u>3,190,807</u>	<u>3,384,716</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	31 DEC 2018	31 DEC 2017
	RM '000	RM '000
(Loss) / profit before taxation	(124,108)	11,018
Adjustments for:		
Property, plant and equipment		
- depreciation	77,684	79,946
- write off	4,126	126
Amortisation of land use rights	7,095	7,094
Allowance for impairment loss on investment in joint venture	181	-
Net allowance for impairment loss on trade receivables	18,433	6,618
Interest income	(15,185)	(16,009)
Realisation of loss on hedges	-	6,561
Net unrealised (gain) / loss on foreign exchange	(8,427)	19,643
Net reversal of warranty	-	(14,837)
Inventories written off / (back)	77	(318)
Finance cost	920	-
Share of results of joint ventures	(3,005)	3,239
Operating (loss) / profit before working capital changes	(42,209)	103,081
Inventories	(3,324)	8,666
Trade and other receivables	170,755	182,795
Trade and other payables	(73,868)	(222,527)
Cash generated from operations	51,354	72,015
Tax paid	-	(2,083)
Tax refund	-	52
Net cash generated from operations activities	51,354	69,984
Purchase of property, plant and equipment	(152,153)	(60,208)
Interest received	14,808	14,064
Net cash used in investments activities	(137,345)	(46,144)
Dividends paid to equity holders of the Company	(48,000)	-
Drawdown on long term borrowings	48,354	-
Repayment on Sukuk Murabahah credit facilities	-	(20,000)
Cash pledged with the bank - restricted	(12,212)	-
Net cash used in financing activities	(11,858)	(20,000)
Net change in cash & cash equivalents	(97,849)	3,840
Cash & cash equivalents at the beginning of the year	674,968	671,128
Cash & cash equivalents at the end of the period	577,119	674,968
Cash pledged with bank - restricted	12,212	-
Cash and bank balances	589,331	674,968

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 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
12 MONTHS ENDED 31 DECEMBER 2018							
At 1 January 2018	1,618,263	-	958,148	-	2,576,411	1,213	2,577,624
Adjustment on initial application of:							
MFRS 9	-	-	(1,984)	-	(1,984)	-	(1,984)
MFRS 15	-	-	3,336	-	3,336	-	3,336
At 1 January 2018 (Restated) (Note A3)	1,618,263	-	959,500	-	2,577,763	1,213	2,578,976
Total comprehensive loss	-	-	(122,691)	-	(122,691)	(1,472)	(124,163)
Dividends paid to equity holders of the Company	-	-	(48,000)	-	(48,000)	-	(48,000)
At 31 December 2018	1,618,263	-	788,809	-	2,407,072	(259)	2,406,813
12 MONTHS ENDED 30 DECEMBER 2017							
At 1 January 2017	800,000	818,263	923,915	(6,561)	2,535,617	3,000	2,538,617
Total comprehensive (loss) / income	-	-	34,233	6,561	40,794	(1,787)	39,007
Transition in accordance with section 618(2) of the Companies Act 2016 to no-par value regime on 31 January 2017 ^{Note a}	818,263	(818,263)	-	-	-	-	-
At 31 December 2017	1,618,263	-	958,148	-	2,576,411	1,213	2,577,624

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 12 February 2019.

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 year ended 31 December 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)
TOTAL ASSETS	<u>(27,774)</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)
TOTAL EQUITY AND LIABILITIES	<u>(31,110)</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
Total Comprehensive Income for the Period	<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 is as follows:

Impact on Statement of Financial Position decrease as at 31 December 2017:

	<u>RM '000</u>
Current assets	
Trade & other receivables	(1,984)
TOTAL ASSETS	<u>(1,984)</u>
Equity attributable to equity holders of the Company	
Retained earnings	(1,984)
TOTAL EQUITY AND LIABILITIES	<u>(1,984)</u>

Impact on Statement of Profit or Loss decrease as at 31 December 2017:

	<u>RM '000</u>
Other operating loss	(1,984)
Total Comprehensive Income for the Period	<u>(1,984)</u>
Attributable to:	
Equity holders of the parent	(1,984)

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 31 December 2018.

A7. CHANGES IN ESTIMATES

There were no material changes in estimates reported in the current year 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 31 December 2018.

A9. INTEREST BEARING LOANS AND BORROWINGS

The tenure of Group borrowings are as follows:

	31 Dec 2018	31 Dec 2017
	RM '000	RM '000
Long term borrowings		
Secured	48,354	-

The Group made a RM50 million drawdown on a 12 year term loan meant to fund the construction of dry-dock 3 in the current quarter.

A10. DIVIDEND PAID

The Company paid the following dividends during the year ended 31 December 2018 and 31 December 2017 respectively:

	31 Dec 2018		31 Dec 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	-	-

A11. SEGMENT REPORT

Segmental analysis for the current financial year is as follows:

	Heavy Engineering*	Marine	Others	Eliminations	Total
REVENUE AND RESULTS	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue					
External	<u>651,451</u>	<u>322,903</u>	<u>-</u>	<u>-</u>	<u>974,354</u>
Results					
Operating loss	<u>(38,988)</u>	<u>(81,719)</u>	<u>(5,376) ***</u>	<u>(110) **</u>	<u>(126,193)</u>
Finance costs					(920)
Share of results of joint ventures					3,005
Loss before taxation					<u>(124,108)</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.

A12. PROFIT FOR THE YEAR

	Quarter Ended		Full Year Ended	
	31 Dec 2018 RM '000	31 Dec 2017 RM '000	31 Dec 2018 RM '000	31 Dec 2017 RM '000
Profit / (Loss) for the year is arrived at after charging:				
Amortisation of land use rights	1,774	1,773	7,095	7,094
Net unrealised loss on foreign exchange	175	-	-	19,643
Inventories written off	77	-	77	-
Finance cost	920	-	920	-
Property, plant and equipment				
- depreciation	19,841	22,787	77,684	79,946
- written off	3,605	6	4,126	126
Allowance for impairment loss on trade receivables	17,244	2,088	18,433	6,618
after (crediting):				
Net income from scrap disposal	(504)	(1,764)	(1,841)	(3,542)
Interest income	(4,727)	(6,099)	(15,185)	(16,009)
Inventories written back	-	(611)	-	(318)
Net fair value gain on derivatives	-	(341)	-	(94)
Net unrealised gain on foreign exchange	-	(1,473)	(8,427)	-
Rental income				
- land	(177)	(17)	(313)	(79)
- building	37	458	(2,295)	(3,412)
- equipments	(132)	(105)	(366)	(457)

A13. 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.

A14. SUBSEQUENT MATERIAL EVENT

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

A15. CHANGES IN THE COMPOSITION OF THE GROUP

MHB's wholly owned subsidiary, Malaysia Marine and Heavy Engineering Sdn. Bhd. ("MMHE") had on 11 March 2018 established, a wholly owned subsidiary named, Malaysia Marine and Heavy Engineering Saudi Limited (MMHESL) by the subscription of 50,000 ordinary shares of SAR10 each for a cash consideration of SAR500,000 in MMHESL.

MMHESL was incorporated under the Saudi Companies Law in the Kingdom of Saudi Arabia to undertake provision of engineering, procurement, construction, installation and commissioning services for offshore and onshore facilities.

A16. CONTINGENT LIABILITIES

Contingent liabilities of the Group comprise the following :-

	31 Dec 2018 RM '000	31 Dec 2017 RM '000
Unsecured		
Bank guarantees extended to: -		
- Related companies	87,800	122,950
- Third parties	85,463	138,714
	<u>173,263</u>	<u>261,664</u>

A17. CAPITAL COMMITMENTS

	31 Dec 2018 RM '000	31 Dec 2017 RM '000
Approved and contracted for	429,453	301,543
Approved but not contracted for	115,159	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		Full Year Ended	
	31 Dec 2018 RM '000	31 Dec 2017 RM '000	31 Dec 2018 RM '000	31 Dec 2017 RM '000
Revenue				
Heavy Engineering	224,048	162,277	651,451	591,325
Marine	49,190	85,677	322,903	365,090
Others	-	-	-	417
Eliminations/Adjustments	-	-	-	(417) *A
	<u>273,238</u>	<u>247,954</u>	<u>974,354</u>	<u>956,415</u>
Results				
Heavy Engineering	1,616	11,570	(38,988)	(36,697)
Marine	(32,965)	12,059	(81,719)	52,766
Others	2,122	234	(5,376)	(910)
Eliminations/Adjustments	71	(331)	(110)	(902) *#
Operating (loss) / profit	<u>(29,156)</u>	<u>23,532</u>	<u>(126,193)</u>	<u>14,257</u>
Finance cost	(920)	-	(920)	-
Share of results of joint ventures	3,773	2,765	3,005	(3,239)
(Loss) / profit before taxation	<u>(26,303)</u>	<u>26,297</u>	<u>(124,108)</u>	<u>11,018</u>

* Inter-segment revenue and transactions are eliminated on consolidation.				
^ Inter-segment revenue elimination				
Others	-	-	-	417
# Inter-segment operating loss elimination				
Heavy Engineering	(58)	268	89	731
Marine	(13)	63	21	171

Performance of current quarter against the quarter ended 31 December 2017 ("corresponding quarter").

The Group's revenue of RM273.2 million was 10% higher than the corresponding quarter's revenue of RM248.0 million, mainly due to higher revenue in Heavy Engineering segment. Notwithstanding higher revenue, the Group reported an operating loss of RM29.2 million against RM23.5 million profit in the corresponding quarter.

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

Heavy Engineering

Revenue of RM224.0 million was 38% higher than RM162.3 million reported in the corresponding quarter, mainly due to higher revenue from an ongoing project and commencement of a new order intake in the current quarter.

Heavy Engineering's operating profit of RM1.6 million was lower than RM11.6 million profit in the corresponding quarter, mainly due to close-out of a significant project in the corresponding quarter.

Marine

Revenue of RM49.2 million was 43% lower than the corresponding quarter's revenue of RM85.7 million, mainly due to lower revenue from conversion works as well as dry docking activities in the corresponding quarter.

Marine recorded RM33.0 million operating loss against RM12.1 million profit in the corresponding quarter, mainly due to insufficient dry docking works to absorb fixed overheads and compressed margins for dry docking activities in the current quarter.

Share of results of joint ventures

The Group's share of profit in joint ventures of RM3.8 million was RM1.0 million higher than RM2.8 million in the corresponding quarter, mainly due to close-out of claims by a joint venture in the current quarter.

Performance of current year against financial year ended 31 December 2017 ("prior year")

Group revenue of RM974.4 million was 2% higher than the corresponding year's revenue of RM956.4 million. However, the Group reported an operating loss of RM126.2 million against RM14.3 million profit in the prior year.

Analysis of segmental performance against the prior year is as follows:-

Heavy Engineering

Revenue of RM651.5 million was higher than the prior year's revenue of RM591.3 million, mainly due to higher revenue from ongoing projects in the current year.

The segment registered a higher operating loss of RM39.0 million from RM36.7 million loss in the prior year, mainly due to close-out of completed projects in the prior year.

Marine

Revenue of RM322.9 million was lower than the prior year's revenue of RM365.1 million, mainly due to lower revenue recognised from conversion works in the current year.

The segment recorded an operating loss of RM81.7 million from RM52.8 million profit in the corresponding year due to insufficient contribution to absorb fixed overheads in the current year. This arose from lower LNG dry docking activities coupled with suppressed margins from other marine works.

Share of results of joint ventures

The Group recorded a share of profit in joint ventures of RM3.0 million compared to RM3.2 million loss in the prior year, mainly due to close-out of claims by a joint venture in the current year.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Quarter Ended	
	31 Dec 2018 RM '000	30 Sept 2018 RM '000
Revenue		
Heavy Engineering	224,048	178,381
Marine	49,190	111,421
	<u>273,238</u>	<u>289,802</u>
Results		
Heavy Engineering	1,616	(4,084)
Marine	(32,965)	(15,988)
Others	2,122	(3,144)
Eliminations/Adjustments	71	480
Operating loss	<u>(29,156)</u>	<u>(22,736)</u>
Finance cost	(920)	-
Share of results of joint ventures	3,773	(2)
Loss before taxation	<u>(26,303)</u>	<u>(22,738)</u>

The Group's revenue of RM273.2 million was 6% lower than the preceding quarter's revenue of RM289.8 million, mainly due to significant drop in Marine's revenue following lower conversion works and dry docking activities in the current quarter. However, higher revenue in Heavy Engineering from the commencement of a new order intake, helped to cushion the Group's revenue for the current quarter.

The Group reported an operating loss of RM29.2 million against RM22.7 million in the preceding quarter. Marine's loss widened by RM17.0 million following the decrease in revenue while Heavy Engineering reported a RM5.7 million improvement in results, mainly due to close-out of completed projects in the current quarter.

B3. REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 Dec 2018 RM '000	As at 31 Dec 2017 RM '000	Variance %
Total assets	3,190,807	3,384,716	-6%
Total equity attributable to equity holders of the Company	2,407,072	2,576,411	-7%
Total liabilities	783,994	807,092	-3%

The Group's total assets decreased by RM193.9 million or 6%, mainly due to lower receivables from higher collection and lesser work in progress as at the end of the current year.

The decrease in total equity attributable to equity holders by RM169.3 million or 7% was due to the cumulative losses recognised in the current year as well as dividends paid to shareholders in March 2018.

The decrease in the Group's total liabilities by RM23.1 million or 3% was mainly due to the lower payables as at the end of the financial year.

B4. REVIEW OF CONSOLIDATED CASH FLOW

	Full Year Ended		Variance %
	31 Dec 2018 RM '000	31 Dec 2017 RM '000	
Net cash generated from operating activities	51,354	69,984	-27%
Net cash used in investing activities	(137,345)	(46,144)	-198%
Net cash used in financing activities	(11,858)	(20,000)	41%
Net change in cash & cash equivalents	(97,849)	3,840	-2648%

Net cash generated from operating activities was lower by RM18.6 million from higher payouts during the year.

Net cash used in investing activities was higher by RM91.2 million, mainly due to higher capital spending for dry-dock 3.

Net cash used in financing activities of RM11.9 million was mainly due to dividends paid to shareholders in March 2018 and drawdown of a 12-year term loan in the current financial year.

B5. CURRENT YEAR PROSPECTS

There has been positive signs that oil prices have begun to ease at between \$50-\$70 per barrel. Despite the gradual improvement, a range of factors have continued to influence oil prices including production cuts by OPEC, growth in US shale oil production and growing political tension across the globe. The Group remains prudent on the outlook for the industry in the near term given the uncertainties surrounding timing of capital spending by major oil and gas players.

The outlook for Marine business remains positive as global LNG trade is expected to expand firmly driven by increase of exports from the US and Australia to Asia. In view of the forthcoming implementation of new rules by International Maritime Organization (IMO), the Group expects no further deferment by ship owners for dry docking activities in 2019.

The Group had during the year secured a number of long term offshore fabrication frame agreements which are on call-out basis including the long term agreement ("LTA") signed with Saudi Arabian oil company ("Saudi Aramco"). These are expected to contribute positively to the Group's revenue in 2019 and beyond. Meanwhile, the Group remains committed to replenish its orderbook in various geographical areas. Effort to ensure competitiveness of ongoing and future bids are continuing 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

	31 Dec 2018 RM '000	31 Dec 2017 RM '000
Taxation for the year comprises the following:		
Income tax (credit) / charge		
- current period	55	487
- prior year	-	(8,313)
Deferred taxation	-	(13,602)
	<u>55</u>	<u>(21,428)</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 31 December 2018.

B9. CHANGES IN MATERIAL LITIGATION

Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE"), a wholly-owned subsidiary of the Company, had on 27 September 2018 received a Notice of Arbitration from E.A.Technique (M) Berhad ("EAT") for a number of claims in relation to the contract entered into by MMHE in June 2015 for the Provision of Demolition, Refurbishment and Conversion of Donor Vessel into a Floating, Storage and Offloading Facility for Full Development Project, North Malay Basin, hereinafter referred to as the "Conversion Contract".

During the period of the contract, MMHE issued Additional Work Orders ("AWOs") to EAT, claiming for payments for works done. Disputes and differences have arisen between the parties over the valuation of the invoices and AWOs issued.

On 22 June 2018, EAT and MMHE entered into an agreement via a Letter of Undertaking ("LOU") to settle the sums due under the invoices and AWOs. Under the LOU, the parties agreed to perform a joint review of the claims made by MMHE over a specified period. However, both parties were unable to reach an amicable settlement and as a result thereof, EAT initiated arbitration proceedings against MMHE to resolve the disputes.

EAT's claims totaling USD21,743,398 are in relation to over-payment of original contract value, sums paid under the LOU and costs incurred pursuant to the Conversion Contract.

MMHE rejected EAT's claims and issued counterclaims totaling USD49,105,095 representing payment for unpaid invoices, prolongation costs and additional variations to the original scope of work.

The Group will vigorously defend the claims made by EAT and pursue its counterclaims. As at the date of this announcement, Statement of Claim has been served and MMHE shall respond with a Statement of Reply to EAT by 15 March 2019.

B10. DIVIDEND PROPOSED

No dividend has been proposed for the quarter ended 31 December 2018.

B11. DERIVATIVES

There is no derivative outstanding as at 31 December 2018.

B12. (LOSS) / EARNING PER SHARE

	Quarter Ended		Full Year Ended	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Basic earning per share are computed as follows:				
(Loss) / Profit for the period attributable to equity holders of the Company (RM '000)	(25,219)	48,133	(122,691)	34,233
Weighted average number of ordinary shares in issue (thousand)	1,600,000	1,600,000	1,600,000	1,600,000
Basic (loss) / earning per share (sen)	<u>(1.6)</u>	<u>3.0</u>	<u>(7.7)</u>	<u>2.1</u>

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