

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 30 June 2019
The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2019

	QUARTER ENDED		CUMULATIVE 6 MONTHS ENDED	
	30 JUN 2019	30 JUN 2018	30 JUN 2019	30 JUN 2018
	RM '000	RM '000	RM '000	RM '000
Revenue	276,449	223,039	479,559	411,314
Other operating income	8,141	29,159	12,710	31,750
Operating loss	(8,585)	(49,461)	(37,890)	(74,301)
Finance cost	(203)	-	(403)	-
Share of results of joint ventures	-	(240)	-	(766)
Loss before taxation	(8,788)	(49,701)	(38,293)	(75,067)
Taxation	(374)	(105)	(629)	(415)
Loss after taxation	(9,162)	(49,806)	(38,922)	(75,482)
Total comprehensive loss for the period	(9,162)	(49,806)	(38,922)	(75,482)
Loss attributable to:				
Equity holders of the Company	(9,475)	(49,481)	(38,840)	(74,754)
Non-controlling interests	313	(325)	(82)	(728)
	(9,162)	(49,806)	(38,922)	(75,482)
Total comprehensive loss attributable to:				
Equity holders of the Company	(9,475)	(49,481)	(38,840)	(74,754)
Non-controlling interests	313	(325)	(82)	(728)
	(9,162)	(49,806)	(38,922)	(75,482)
Loss per share attributable to equity holders of the Company:				
(i) Basic (sen)	(0.6)	(3.1)	(2.4)	(4.7)
(ii) Dilutive (sen)	(0.6)	(3.1)	(2.4)	(4.7)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	30 JUN 2019	31 DEC 2018
	RM '000	RM '000
Non-current assets		
Property, plant and equipment	1,669,355	1,595,204
Land use rights	219,425	209,258
Investment in joint ventures	7,751	7,751
Deferred tax assets	93,293	93,293
	<u>1,989,824</u>	<u>1,905,506</u>
Current assets		
Inventories	5,023	5,646
Trade and other receivables	667,475	647,980
Tax recoverable	18,225	20,517
Cash and bank balances	544,647	601,544
	<u>1,235,370</u>	<u>1,275,687</u>
TOTAL ASSETS	<u>3,225,194</u>	<u>3,181,193</u>
Equity attributable to equity holders of the Company		
Share capital	1,618,263	1,618,263
Retained earnings	749,412	788,808
	<u>2,367,675</u>	<u>2,407,071</u>
Non-controlling interests	(579)	(259)
Total equity	<u>2,367,096</u>	<u>2,406,812</u>
Non-current liabilities		
Long term loan	99,678	48,354
Lease liabilities	18,598	-
	<u>118,276</u>	<u>48,354</u>
Current liabilities		
Trade & other payables	738,855	726,027
Lease liabilities	967	-
	<u>739,822</u>	<u>726,027</u>
Total liabilities	<u>858,098</u>	<u>774,381</u>
TOTAL EQUITY AND LIABILITIES	<u>3,225,194</u>	<u>3,181,193</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2019

	30 JUN 2019	30 JUN 2018
	RM '000	RM '000
Loss before taxation	(38,293)	(75,067)
Adjustments for:		
Property, plant and equipment		
- depreciation	36,614	38,860
- write-offs	99	545
Amortisation of land use rights	3,670	3,548
Net reversal for impairment loss on trade receivables	(1,144)	(4,027)
Interest income	(7,887)	(5,380)
Net unrealised gain on foreign exchange	(1,920)	(7,892)
Interest expenses	403	-
Share of results of joint ventures	-	767
Operating loss before working capital changes	<u>(8,458)</u>	<u>(48,646)</u>
Inventories	623	(2,213)
Trade and other receivables	(18,925)	162,725
Trade and other payables	14,850	<u>(112,348)</u>
Cash used in operations	<u>(11,910)</u>	<u>(482)</u>
Tax paid	(629)	-
Tax refund	2,292	-
Net cash used in operating activities	<u>(10,247)</u>	<u>(482)</u>
Purchase of property, plant and equipment	(91,621)	(70,828)
Purchase of land use rights	(13,837)	-
Interest received	7,887	5,380
Net cash used in investing activities	<u>(97,571)</u>	<u>(65,448)</u>
Dividends paid to equity holders of the Company	-	(48,000)
Drawdown on long term borrowings	51,324	-
Interest paid	(403)	-
Net cash generated from/ (used in) financing activities	<u>50,921</u>	<u>(48,000)</u>
Net change in cash and cash equivalents	(56,897)	(113,930)
Cash and cash equivalents at the beginning of the year	601,544	674,968
Cash and cash equivalents at the end of the period	<u><u>544,647</u></u>	<u><u>561,038</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2019

	<-----Attributable to equity -----> holders of the Company				
	Share Capital RM '000	Distributable Retained Earnings RM '000	Total RM '000	Non-controlling Interests RM '000	Total Equity RM '000
6 MONTHS ENDED 30 JUNE 2019					
At 1 January 2019	1,618,263	788,808	2,407,071	(259)	2,406,812
Effect of the adoption of pronouncement	-	(556)	(556)	(238)	(794)
At 1 January 2019 (Restated) (Note A3)	1,618,263	788,252	2,406,515	(497)	2,406,018
Total comprehensive loss	-	(38,840)	(38,840)	(82)	(38,922)
At 30 June 2019	1,618,263	749,412	2,367,675	(579)	2,367,096
6 MONTHS ENDED 30 JUNE 2018					
At 1 January 2018	1,618,263	958,148	2,576,411	1,213	2,577,624
Effect of the adoption of pronouncements	-	1,352	1,352	-	1,352
At 1 January 2018 (Restated)	1,618,263	959,500	2,577,763	1,213	2,578,976
Total comprehensive loss	-	(74,754)	(74,754)	(728)	(75,482)
Dividend paid to equity holders of the Company	-	(48,000)	(48,000)	-	(48,000)
At 30 June 2018	1,618,263	835,394	2,453,657	485	2,454,142

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 1 August 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 period ended 30 June 2019 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 2018. 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 financial year ended 31 December 2018.

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 the financial year ending 31 December 2019 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for the financial year ended 31 December 2018.

At the beginning of the current financial period, the Group and the Company adopted new MFRS, 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 2019

MFRS 16: Leases
Annual Improvements to MFRS Standards 2015 - 2017 Cycle
IC Interpretation 23 Uncertainty over Income Tax Treatments
Amendments to MFRS 123

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 16: Leases

In April 2016, MASB issued MFRS 16: Leases which sets out principles for the recognition, measurement, presentation and disclosure of leases, and replaces the existing MFRS 117: Leases. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Assets and liabilities arising from a lease are initially measured on a present value basis, including non-cancellable lease payments and also payments to be made in optional periods if the lessee is reasonably certain to exercise the option of not terminating the lease.

Lessor accounting is substantially unchanged from the existing MFRS 117. However, MFRS 16 requires enhanced disclosure to be provided by lessors that will improve information disclosed about lessor's risk exposure, particularly to residual value risk.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective transition approach. MFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early application permitted for entities that have applied MFRS 15.

A3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

The Group has assessed the financial impact on its financial statements upon initial application of MFRS 16. As allowed by the transitional provision of MFRS 16, the Group has elected the modified retrospective approach with no restatement of comparatives and the cumulative adjustments resulting from the initial application of MFRS 16 to be recognised in retained earnings and reserves as at 1 January 2019.

The effect from the initial application of MFRS 16 is, as follows:

Impact on Statement of Financial Position (increase / (decrease)) as at 1 January 2019:

	<u>RM '000</u>
Non-current assets	
Property, plant and equipment	19,243
TOTAL ASSETS	<u>19,243</u>
Equity attributable to equity holders of the Company	
Retained earnings	(556)
Non-controlling interests	(238)
Total equity	<u>(794)</u>
Non-Current Liabilities	
Lease liabilities	20,037
TOTAL EQUITY AND LIABILITIES	<u>19,243</u>

A4. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors issued an unqualified report on the financial statements for the financial year ended 31 December 2018.

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 period under review.

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 June 2019.

A9. INTEREST BEARING LOANS AND BORROWINGS

The tenure of Group borrowings are as follows:

	30 Jun 2019 RM '000	31 Dec 2018 RM '000
Long term borrowings		
Secured	99,678	48,354

The Group made a RM51.3 million drawdown on a 12 year term loan meant to fund the construction of Dry Dock No. 3 in the current period.

A10. DIVIDEND PAID

The Company paid the following dividends during the period ended 30 June 2019 and 31 December 2018 respectively:

	30 Jun 2019		31 Dec 2018	
	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 period 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>277,320</u>	<u>202,239</u>	<u>-</u>	<u>-</u>	<u>479,559</u>
Results					
Operating (loss)/profit	<u>(43,658)</u>	<u>1,150</u>	<u>4,739</u> ***	<u>(121)</u> **	<u>(37,890)</u>
Finance costs					(403)
Share of results of joint ventures					-
Loss before taxation					<u><u>(38,293)</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 gain 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 PERIOD

	Quarter Ended		Cumulative 6 Months Ended	
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
	RM '000	RM '000	RM '000	RM '000
Loss for the period is arrived at after charging:				
Amortisation of land use rights	1,835	1,774	3,670	3,548
Interest expenses	203	-	403	-
Property, plant and equipment				
- depreciation	16,993	19,346	36,614	38,860
- write-offs	-	545	99	545
after (crediting):				
Net income from scrap disposal	(799)	(426)	(799)	(868)
Interest income	(4,690)	(3,947)	(7,887)	(5,380)
Net unrealised gain on foreign exchange	(36)	(5,172)	(1,920)	(7,892)
Net reversal of impairment loss on trade receivables	-	(6,810)	(1,144)	(4,027)
Rental income				
- land	(178)	(25)	(514)	(31)
- building	(398)	(689)	(351)	(1,973)
- equipments	(73)	(64)	(130)	(202)

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 2018.

A14. SUBSEQUENT MATERIAL EVENT

There were no material events subsequent to the period end date.

A15. CHANGES IN THE COMPOSITION OF THE GROUP

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

A16. CONTINGENT LIABILITIES

Contingent liabilities of the Group comprise the following :-

	30 Jun 2019	31 Dec 2018
	RM '000	RM '000
<i>Unsecured</i>		
Bank guarantees extended to: -		
- Related companies	108,616	87,800
- Third parties	49,856	85,463
	<u>158,472</u>	<u>173,263</u>

A17. CAPITAL COMMITMENTS

	30 Jun 2019	31 Dec 2018
	RM '000	RM '000
Approved and contracted for	199,487	270,463
Approved but not contracted for	100,734	115,159
	<u>300,221</u>	<u>385,622</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 6 Months Ended	
	30 Jun 2019 RM '000	30 Jun 2018 RM '000	30 Jun 2019 RM '000	30 Jun 2018 RM '000
Revenue				
Heavy Engineering	151,894	137,754	277,320	249,022
Marine	124,555	85,285	202,239	162,292
	<u>276,449</u>	<u>223,039</u>	<u>479,559</u>	<u>411,314</u>
Results				
Heavy Engineering	(19,804)	(23,736)	(43,658)	(36,520)
Marine	8,606	(25,573)	1,150	(32,766)
Others	2,674	179	4,739	(4,354)
Eliminations/Adjustments	(61)	(331)	(121)	(661) *#
Operating loss	<u>(8,585)</u>	<u>(49,461)</u>	<u>(37,890)</u>	<u>(74,301)</u>
Finance cost	(203)	-	(403)	-
Share of results of joint ventures	-	(240)	-	(766)
Loss before taxation	<u>(8,788)</u>	<u>(49,701)</u>	<u>(38,293)</u>	<u>(75,067)</u>

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

Inter-segment operating loss elimination

Heavy Engineering	49	268	98	535
Marine	12	63	23	126

Performance of current quarter against the quarter ended 30 June 2018 ("corresponding quarter").

Group revenue of RM276.4 million was 23.9% higher than the corresponding quarter's revenue of RM223.0 million, mainly due to higher revenue in both segments. The Group reported a lower operating loss of RM8.6 million against RM49.5 million loss in the corresponding quarter mainly due to improved performance in both segments in the current quarter.

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

Heavy Engineering

Revenue of RM151.9 million was 10.2% higher than RM137.8 million reported in the corresponding quarter, mainly due to higher progress of on going projects coupled with approved change order in the current quarter.

The segment reported a lower operating loss of RM19.8 million compared to RM23.7 million in the corresponding quarter, mainly due to higher progress of on going projects.

Marine

Revenue of RM124.6 million was higher than the corresponding quarter of RM85.3 million, mainly due to higher revenue derived from dry docking services on LNG carriers.

The segment reported operating profit of RM8.6 million in current quarter compared with operating loss of RM25.6 million in the corresponding quarter, mainly due to higher contribution from dry docking services on LNG carriers in the current quarter.

Share of results of joint ventures

There was no contribution from joint ventures during the quarter under review.

B1. REVIEW OF PERFORMANCE (CONT'D.)

Performance of current cumulative 6 months against cumulative 6 months ended 30 June 2018 ("corresponding period")

Group revenue of RM479.6 million was 16.6% higher than the corresponding period revenue of RM411.3 million. The Group reported an operating loss of RM37.9 million against RM74.3 million loss in the corresponding period mainly due to better performance in the Marine segment.

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

Heavy Engineering

Revenue of RM277.3 million was higher than corresponding period revenue of RM249.0 million, mainly due to higher revenue from on going projects in the current period.

Despite higher revenue, the segment registered a higher operating loss of RM43.7 million from RM36.5 million loss in the corresponding period, mainly due to higher unabsorbed overheads.

Marine

Revenue of RM202.2 million was higher than the corresponding period revenue of RM162.3 million, mainly due to higher revenue from dry docking services on LNG carriers.

The segment recorded an operating profit of RM1.2 million against operating loss of RM32.8 million in the corresponding period due to additional costs recognised for conversion work.

Share of results of joint ventures

There was no contribution from joint ventures during the current period under review.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Quarter Ended	
	30 Jun 2019	31 Mar 2019
	RM '000	RM '000
Revenue		
Heavy Engineering	151,894	125,426
Marine	124,555	77,684
	<u>276,449</u>	<u>203,110</u>
Results		
Heavy Engineering	(19,804)	(23,854)
Marine	8,606	(7,456)
Others	2,674	2,065
Eliminations/Adjustments	(61)	(60)
Operating loss	<u>(8,585)</u>	<u>(29,305)</u>
Finance cost	(203)	(200)
Share of results of joint ventures	-	-
Loss before taxation	<u>(8,788)</u>	<u>(29,505)</u>

The Group's revenue of RM276.4 million was 36.1% higher than the preceding quarter's revenue of RM203.1 million, mainly due to higher revenue from both Heavy Engineering and Marine segments.

The Group reported a lower operating loss of RM8.6 million against RM29.3 million in the preceding quarter, mainly due to improved performance in both segments.

B3. REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 Jun 2019 RM '000	As at 31 Dec 2018 RM '000	Variance %
Total assets	3,225,194	3,181,193	1%
Total equity attributable to equity holders of the Company	2,367,675	2,407,071	-2%
Total liabilities	858,098	774,381	11%

The Group's total assets increased by RM44.0 million or 1.4%, mainly due to increase in property, plant and equipment by RM74.2 million. The increase has been partially offset with the reduction in cash and bank balances by RM56.9 million.

The decrease in total equity attributable to equity holders by RM39.4 million or 1.6% was due to losses recognised in the current period.

The increase in the Group's total liabilities by RM83.7 million or 10.8% was mainly due to disbursement of loan for Dry Dock No. 3 and recognition of lease liabilities due to adoption of MFRS 16.

B4. REVIEW OF CONSOLIDATED CASH FLOW

	Period Ended		
	30 Jun 2019 RM '000	30 Jun 2018 RM '000	Variance %
Net cash used in operating activities	(10,247)	(482)	>100%
Net cash used in investing activities	(97,571)	(65,448)	-49%
Net cash generated from / (used in) financing activities	50,921	(48,000)	>100%
Net change in cash and cash equivalents	(56,897)	(113,930)	-50%

Net cash used in investing activities was higher by RM32.1 million, mainly due to higher investments for Dry Dock No 3.

Net cash generated from financing activities was mainly due to term loan drawdown in the current period of RM51.3 million. Outflow of RM48.0 million in the corresponding period was for the dividend pay-out.

B5. CURRENT YEAR PROSPECTS

The overall outlook for the second half of the year remains uncertain amidst prolonged unresolved trade tensions, slowing economic growth as well as escalating geopolitical tensions that continue to impact business confidence and investments. Despite the uncertainties, offshore oil and gas production activities continue to improve albeit moderately. The Group continues to remain vigilant on the outlook of the industry in the near term and the timing of capital spending by major oil and gas players.

The outlook for marine business continues to improve, supported by higher work volume for upgrading and retrofitting work due to the imminent implementation of IMO 2020 sulphur cap regulation. LNG tanker market is healthy, underpinned by export project start-ups in the United States and Australia which is driving demand for global LNG trade.

The recent contract award from PETRONAS Carigali Sdn Bhd for the engineering, procurement, construction, installation and commissioning (EPCIC) works for the Kasawari Gas Development project demonstrates the Group's commitment to ensure the sustainability of its order book.

As the industry outlook continues to be challenging in the current financial year, the Group remains cautious and will focus on replenishing order book in various geographical areas as well as diversifying into other businesses. Cost management, quality and timely deliverable of projects remain as a priority to ensure an improved bottom line.

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 Jun 2019 RM '000	30 Jun 2018 RM '000
Taxation for the period comprises the following:		
Income tax charge		
- current period	629	415
	<u>629</u>	<u>415</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 period under review.

B9. CHANGES IN MATERIAL LITIGATION

i) Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE") and E.A. Technique (M) Berhad ("EAT")

MMHE, a wholly owned subsidiary of the Company, received, on 27 September 2018, a Notice of Arbitration from EAT for a number of claims in relation to the contract entered between MMHE and EAT 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 "Contract".

Disputes and differences have arisen between parties, amongst others, in relation to MMHE's entitlement to payment for additional works completed under the Contract pursuant to the Additional Work Orders ("AWOs"), as well as in relation to certain terms recorded in a document known to parties as Letter of Undertaking dated 22 June 2018 ("LOU").

In the Arbitration, EAT claims, amongst others, the sum of USD21,656,198 on account of (a) alleged over-payment; (b) refund of sums paid by EAT to MMHE under the LOU; (c) certain costs incurred under the Contract as well as (d) a declaration that MMHE is not entitled to payment for the AWOs.

MMHE disputed EAT's claims and filed in a counter claims, amongst others, for the sum USD49,095,096 being payment for the AWOs, prolongation costs and additional costs incurred due to variations to the original scope of work.

The Group will continue to rigorously defend the claims made by EAT and pursue its counterclaims.

As at the date of this announcement, proceedings are ongoing, with the Arbitration scheduled to be heard in October and November 2019.

It may also be noted that through a related Adjudication Decision dated 27 May 2019, an Adjudicator appointed pursuant to Construction Industry Payment and Adjudication Act 2012 ("CIPAA"), amongst others, allowed MMHE's claim against EAT in the sum of USD21,607,206 in respect of the AWOs. EAT has since filed an application to the High Court of Malaya at Kuala Lumpur to set aside the Adjudication Decision pursuant to CIPAA. The application will be heard on 30 August 2019.

In addition to the above, on 29 May 2019, MMHE had served another Payment Claim under CIPAA on EAT for a further claim of USD6,096,792 including goods and services tax of 6% for additional works, also in respect of the AWOs. Proceedings in relation to this claim is still at a very preliminary stage.

B9. CHANGES IN MATERIAL LITIGATION (CONT'D.)

ii) Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE") and Kebangsaan Petroleum Operating Company Sdn Bhd ("KPOC")

MMHE, a wholly owned subsidiary of the Company, received on 14 March 2019, via its solicitors, a Notice of Arbitration dated 13 March 2019 from KPOC in relation to claims arising from contracts known to parties as (a) Fabrication of KBB Topsides dated 20 September 2011 (Contract No. KPOC/COC/2009/015); and (b) Novation Agreement dated 30 March 2012, collectively hereinafter referred as the "Contracts".

KPOC, in its Notice of Arbitration, claims that MMHE was and is in breach of the express and/or implied terms of the Contracts in respect of the supply of certain valves. KPOC has included an indicative amount of its alleged loss in the sum of approximately RM125.1 million in the Notice of Arbitration, and claims that it continues, allegedly, to suffer losses.

On 11 April 2019, MMHE, through its solicitors, filed its Response to the Notice of Arbitration dated 11 April 2019 ("Response"). In the Response, MMHE has denied owing any liability whatsoever to KPOC. MMHE will vigorously defend itself from the claims made by KPOC.

An arbitral tribunal consisting of Three (3) arbitrators was formally constituted on 8 July 2019.

Apart from the Arbitration, MMHE reserves its right to pursue any other legal actions as may be permitted under the Malaysian laws, including, if appropriate, to seek indemnity from the ultimate supplier of the said valves.

B10. DIVIDEND PROPOSED

No dividend has been proposed for the period ended 30 June 2019.

B11. DERIVATIVES

There is no derivative outstanding as at 30 June 2019.

B12. LOSS PER SHARE

	Quarter Ended		Cumulative 6 Months Ended	
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
Basic loss per share are computed as follows:				
Loss for the period attributable to equity holders of the Company (RM '000)	(9,475)	(49,481)	(38,840)	(74,754)
Weighted average number of ordinary shares in issue (thousand)	1,600,000	1,600,000	1,600,000	1,600,000
Basic loss per share (sen)	<u>(0.6)</u>	<u>(3.1)</u>	<u>(2.4)</u>	<u>(4.7)</u>

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