

QUARTERLY REPORT

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

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

	QUARTER ENDED		CUMULATIVE 9 MONTHS ENDED	
	30 SEP 2019	30 SEP 2018	30 SEP 2019	30 SEP 2018
	RM '000	RM '000	RM '000	RM '000
Revenue	254,345	289,802	733,904	701,116
Other operating income	1,930	1,077	14,640	32,827
Operating loss	(4,859)	(22,736)	(42,749)	(97,037)
Finance cost	403	-	-	-
Share of results of joint ventures	-	(2)	-	(768)
Loss before taxation	(4,456)	(22,738)	(42,749)	(97,805)
Taxation	(272)	(113)	(901)	(528)
Loss after taxation	(4,728)	(22,851)	(43,650)	(98,333)
Total comprehensive loss for the period	(4,728)	(22,851)	(43,650)	(98,333)
Loss attributable to:				
Equity holders of the Company	(4,661)	(22,718)	(43,501)	(97,472)
Non-controlling interests	(67)	(133)	(149)	(861)
	(4,728)	(22,851)	(43,650)	(98,333)
Total comprehensive loss attributable to:				
Equity holders of the Company	(4,661)	(22,718)	(43,501)	(97,472)
Non-controlling interests	(67)	(133)	(149)	(861)
	(4,728)	(22,851)	(43,650)	(98,333)
Loss per share attributable to equity holders of the Company:				
(i) Basic (sen)	(0.3)	(1.4)	(2.7)	(6.1)
(ii) Dilutive (sen)	(0.3)	(1.4)	(2.7)	(6.1)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

	30 SEP 2019	31 DEC 2018
	RM '000	RM '000
Non-current assets		
Property, plant and equipment	1,704,610	1,595,204
Land use rights	218,023	209,258
Investment in joint ventures	7,751	7,751
Deferred tax assets	93,021	93,293
	<u>2,023,405</u>	<u>1,905,506</u>
Current assets		
Inventories	4,415	5,646
Trade & other receivables	508,827	647,980
Tax recoverable	9,622	20,517
Cash and bank balances	661,300	601,544
	<u>1,184,164</u>	<u>1,275,687</u>
TOTAL ASSETS	<u>3,207,569</u>	<u>3,181,193</u>
Equity attributable to equity holders of the Company		
Share capital	1,618,263	1,618,263
Retained earnings	746,375	788,808
	<u>2,364,638</u>	<u>2,407,071</u>
Non-controlling interests	53	(259)
Total equity	<u>2,364,691</u>	<u>2,406,812</u>
Non-current liabilities		
Long term loan	142,252	48,354
Lease liabilities	7,290	-
	<u>149,542</u>	<u>48,354</u>
Current liabilities		
Trade & other payables	692,844	726,027
Lease liabilities	492	-
	<u>693,336</u>	<u>726,027</u>
Total liabilities	<u>842,878</u>	<u>774,381</u>
TOTAL EQUITY AND LIABILITIES	<u>3,207,569</u>	<u>3,181,193</u>

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

	30 SEP 2019	30 SEP 2018
	RM '000	RM '000
Loss before taxation	(42,749)	(97,805)
Adjustments for:		
Property, plant and equipment		
- depreciation	58,725	57,843
- write offs	108	521
Amortisation of land use rights	5,535	5,321
Net reversal for impairment loss on trade receivables	(1,446)	(3,341)
Interest income	(11,164)	(10,458)
Net unrealised loss/ (gain) on foreign exchange	4,508	(8,602)
Share of results of joint ventures	-	768
Operating profit/ (loss) before working capital changes	<u>13,517</u>	<u>(55,753)</u>
Inventories	1,231	(2,737)
Trade and other receivables	141,171	192,493
Trade and other payables	<u>(28,708)</u>	<u>(68,749)</u>
Cash generated from operations	127,211	65,254
Tax paid	(629)	-
Tax refund	10,895	-
Net cash generated from operating activities	<u>137,477</u>	<u>65,254</u>
Purchase of property, plant and equipment	(166,307)	(109,579)
Purchase of land use rights	(14,300)	-
Interest received	11,164	10,458
Net cash used in investing activities	<u>(169,443)</u>	<u>(99,121)</u>
Dividends paid to equity holders of the Company	-	(48,000)
Drawdown on long term borrowings	93,898	-
Interest paid	(2,176)	-
Net cash generated from/ (used in) financing activities	<u>91,722</u>	<u>(48,000)</u>
Net change in cash & cash equivalents	59,756	(81,867)
Cash & cash equivalents at the beginning of the year	601,544	674,968
Cash & cash equivalents at the end of the period	<u><u>661,300</u></u>	<u><u>593,101</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 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
9 MONTHS ENDED 30 SEPTEMBER 2019					
At 1 January 2019	1,618,263	788,808	2,407,071	(259)	2,406,812
Effect of the adoption of pronouncement	-	1,068	1,068	461	1,529
At 1 January 2019 (Restated) (Note A3)	1,618,263	789,876	2,408,139	202	2,408,341
Total comprehensive loss	-	(43,501)	(43,501)	(149)	(43,650)
At 30 September 2019	1,618,263	746,375	2,364,638	53	2,364,691
9 MONTHS ENDED 30 SEPTEMBER 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	-	(97,472)	(97,472)	(861)	(98,333)
Dividend paid to equity holders of the Company	-	(48,000)	(48,000)	-	(48,000)
At 30 September 2018	1,618,263	812,676	2,430,939	352	2,431,291

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 23 October 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 September 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 as at 1 January 2019:

	<u>RM '000</u>
Non-current assets	
Property, plant and equipment	9,672
TOTAL ASSETS	<u><u>9,672</u></u>
Equity attributable to equity holders of the Company	
Retained earnings	1,068
Non-controlling interests	461
Total equity	<u>1,529</u>
Non-Current Liabilities	
Lease liabilities	8,143
TOTAL EQUITY AND LIABILITIES	<u><u>9,672</u></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 September 2019.

A9. INTEREST BEARING LOANS AND BORROWINGS

The tenure of Group borrowings are as follows:

	30 Sep 2019 RM '000	31 Dec 2018 RM '000
Long term borrowings		
Secured	142,252	48,354

The Group made a RM93.9 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 September 2019 and 31 December 2018 respectively:

	30 Sep 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	430,093	303,811	-	-	733,904
Results					
Operating (loss)/profit	(50,444)	3,227	4,649 ***	(181) **	(42,749)
Finance costs					-
Share of results of joint ventures					-
Loss before taxation					<u>(42,749)</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 9 Months Ended	
	30 Sep 2019 RM '000	30 Sep 2018 RM '000	30 Sep 2019 RM '000	30 Sep 2018 RM '000
Loss for the period is arrived at after charging:				
Amortisation of land use rights	1,865	1,773	5,535	5,321
Net unrealised loss on foreign exchange	6,428	-	4,508	-
Property, plant and equipment				
- depreciation	22,111	18,983	58,725	57,843
- write offs	9	-	108	521
Allowance for impairment loss on trade receivables	-	6,613	-	-
after (crediting):				
Net income from scrap disposal	(534)	(469)	(1,333)	(1,337)
Interest income	(3,277)	(5,078)	(11,164)	(10,548)
Net unrealised gain on foreign exchange	-	(710)	-	(8,602)
Net reversal of impairment loss on trade receivables	(302)	-	(1,446)	(3,341)
Finance costs	(403)	-	-	-
Rental income				
- land	(266)	(105)	(780)	(136)
- building	(151)	(359)	(502)	(2,332)
- equipments	(78)	(32)	(208)	(234)

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 Sep 2019	31 Dec 2018
	RM '000	RM '000
<i>Unsecured</i>		
Bank guarantees extended to: -		
- Related companies	307,112	87,800
- Third parties	46,902	85,463
	<u>354,014</u>	<u>173,263</u>

A17. CAPITAL COMMITMENTS

	30 Sep 2019	31 Dec 2018
	RM '000	RM '000
Approved and contracted for	143,117	270,463
Approved but not contracted for	92,451	115,159
	<u>235,568</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 9 Months Ended	
	30 Sep 2019 RM '000	30 Sep 2018 RM '000	30 Sep 2019 RM '000	30 Sep 2018 RM '000
Revenue				
Heavy Engineering	152,773	178,381	430,093	427,403
Marine	101,572	111,421	303,811	273,713
	<u>254,345</u>	<u>289,802</u>	<u>733,904</u>	<u>701,116</u>
Results				
Heavy Engineering	(6,786)	(4,084)	(50,444)	(40,604)
Marine	2,480	(15,988)	3,227	(48,754)
Others	(493)	(3,144)	4,649	(7,498)
Eliminations/Adjustments	(60)	480	(181)	(181) *#
Operating loss	<u>(4,859)</u>	<u>(22,736)</u>	<u>(42,749)</u>	<u>(97,037)</u>
Finance cost	403	-	-	-
Share of results of joint ventures	-	(2)	-	(768)
Loss before taxation	<u>(4,456)</u>	<u>(22,738)</u>	<u>(42,749)</u>	<u>(97,805)</u>
* Inter-segment revenue and transactions are eliminated on consolidation.				
# Inter-segment operating loss elimination				
Heavy Engineering	8	(389)	24	147
Marine	52	(91)	157	34

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

Group revenue of RM254.3 million was 12.2% lower than the corresponding quarter's revenue of RM289.8 million, mainly due to lower revenue in both segments. Notwithstanding lower revenue, the Group reported lower operating loss of RM4.9 million against RM22.7 million loss in the corresponding quarter.

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

Heavy Engineering

Revenue of RM152.8 million was 14.4% lower than RM178.4 million reported in the corresponding quarter, mainly due to lower revenue from post sail away projects in the current quarter.

The segment reported a higher operating loss of RM6.8 million compared to RM4.1 million in the corresponding quarter in line with lower revenue in the current quarter.

Marine

Revenue of RM101.6 million was lower than the corresponding quarter's revenue of RM111.4 million, mainly due to lower cost plus revenue resulting from the completion of the main contract in the current quarter.

The segment reported an operating profit of RM2.5 million in the current quarter compared to RM16.0 million loss in the corresponding quarter, mainly due to additional costs incurred for conversion work in the corresponding 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 9 months against cumulative 9 months ended 30 September 2018 ("corresponding period")

Group revenue of RM733.9 million was 4.7% higher than the corresponding period's revenue of RM701.1 million. The Group reported an operating loss of RM42.7 million against RM97.0 million loss in the corresponding period mainly due to improved performance in the Marine segment.

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

Heavy Engineering

Revenue of RM430.1 million was slightly higher than the corresponding period revenue of RM427.4 million, mainly due to higher progress from on going projects and new order intake.

As compared to the corresponding period, the segment registered a higher operating loss of RM50.4 million from RM40.6 million loss mainly due to lower contribution from post sail away projects.

Marine

Revenue of RM303.8 million was higher than the corresponding period revenue of RM273.7 million, mainly due to higher revenue from dry docking services on LNG carriers.

The segment recorded an operating profit of RM3.2 million against an operating loss of RM48.8 million in the corresponding period due to higher contribution from conversion work and dry docking services on LNG carriers in the current period.

Share of results of joint ventures

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

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Quarter Ended	
	30 Sep 2019 RM '000	30 Jun 2019 RM '000
Revenue		
Heavy Engineering	152,773	151,894
Marine	101,572	124,555
	<u>254,345</u>	<u>276,449</u>
Results		
Heavy Engineering	(6,786)	(19,804)
Marine	2,480	8,606
Others	(493)	2,674
Eliminations/Adjustments	(60)	(61)
Operating loss	<u>(4,859)</u>	<u>(8,585)</u>
Finance cost	403	(203)
Loss before taxation	<u>(4,456)</u>	<u>(8,788)</u>

The Group's revenue of RM254.3 million was 8.0% lower than the preceding quarter's revenue of RM276.4 million, mainly due to lower revenue from the Marine segment.

The Group reported a lower operating loss of RM4.9 million against RM8.6 million in the preceding quarter, mainly due to improved contribution from Heavy Engineering segment.

B3. REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 Sep 2019 RM '000	As at 31 Dec 2018 RM '000	Variance %
Total assets	3,207,569	3,181,193	1%
Total equity attributable to equity holders of the Company	2,364,638	2,407,071	-2%
Total liabilities	842,878	774,381	9%

The Group's total assets increased by RM26.4 million or 0.8%, mainly due to increase in property, plant and equipment by RM109.4 million coupled with higher cash and bank balances by RM59.8 million. The increase has been partially offset with lower receivables by RM139.2 million from lesser work in progress at the end of the current period.

The decrease in total equity attributable to equity holders by RM42.4 million or 1.8% was due to losses recognised in the current period.

The increase in the Group's total liabilities by RM68.5 million or 8.8% was mainly due to disbursement of loan for Dry Dock No. 3.

B4. REVIEW OF CONSOLIDATED STATEMENT OF CASH FLOWS

	Period Ended		Variance
	30 Sep 2019 RM '000	30 Sep 2018 RM '000	%
Net cash generated from operating activities	137,477	65,254	111%
Net cash used in investing activities	(169,443)	(99,121)	-71%
Net cash generated from / (used in) financing activities	91,722	(48,000)	>100%
Net change in cash & cash equivalents	59,756	(81,867)	>100%

Net cash generated from operating activities was higher by RM72.2 million due to lower payments during the period.

Net cash used in investing activities was higher by RM70.3 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 RM93.9 million. Outflow of RM48 million in the corresponding period was for the dividend pay-out.

B5. CURRENT YEAR PROSPECTS

Despite improvement in the current quarter performance against the preceding quarter, the short term overall outlook remains uncertain in view of intensifying geopolitical tensions, slowing global economic growth, sluggish oil demand and the ongoing unresolved trade conflict between the United States of America and China. The Group remains vigilant on the outlook for the Heavy Engineering business in the near term due to the uncertainty on the timing of capital spending by major oil and gas players.

The outlook for the marine business is expected to remain challenging as shipyards strive to capture opportunities in order to maximise utilisation amidst stiff competition in a volatile market. Although prospects for upgrading and retrofitting jobs are expected to improve in light of the forthcoming IMO2020 sulphur cap implementation, some shipowners are considering to reduce their dry docking repair costs in the current volatile market.

The Group is cautiously optimistic on the recovery of the industry should there be a resolution of the trade dispute currently impacting the global economy. It shall continue to focus on replenishing its order book in various geographical areas as well as diversifying into new businesses. Improving profitability remains the Group's priority by continuously exercising cost optimisation efforts and ensuring quality and timely deliverable of projects.

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 Sep 2019 RM '000	30 Sep 2018 RM '000
Taxation for the period comprises the following:		
Income tax charge		
- current period	629	528
Deferred taxation	272	-
	<u>901</u>	<u>528</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, and EAT are parties to a contract entered 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 a Letter of Undertaking dated 22 June 2018 ("LOU"). In this respect, the following proceedings have been filed:

Arbitration Proceedings

A Notice of Arbitration was filed by EAT on 27 September 2018 claiming for the sum of USD21,656,198 being (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 claim, 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.

The evidential hearing has commenced and presently scheduled to conclude by 8 November 2019.

Adjudication Proceedings

MMHE also filed for the following Adjudication pursuant to the Construction Industry Payment and Adjudication Act 2012 ("CIPAA") for the following:

- (a) The First Adjudication proceeding was in relation to MMHE's claim for the sum of USD30,211,301.42 for additional works performed by MMHE pursuant to the Contract in the form of the AWOs. In particular, MMHE seeks payment for invoices raised in Batch 1 – 34, 36 and 37 in respect of the AWOs, in which MMHE was successful via an Adjudication Decision dated 27 May 2019.

EAT has applied for a setting aside as well as stay of the Adjudication Decision at the High Court of Malaya at Kuala Lumpur. In turn, MMHE applied to register and enforce the Adjudication Decision. All three (3) applications are currently part-heard, with Hearing having taken place on 30 August 2019, 11 October 2019 and 23 October 2019. The applications are fixed for continued Hearing on 14 November 2019.

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

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

Adjudication Proceedings (cont'd)

(b) The Second Adjudication proceeding was in relation to MMHE's claim for the sum of USD6,096,791.91, also for additional works performed by MMHE pursuant to the Contract in the form of AWOs. In particular, MMHE seeks payment for the invoices raised in Batch 38 as well as for a set of works known to Parties as Tank Treatment works. All cause papers have been filed by the Parties and the decision is expected to be delivered in December 2019.

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 to 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.

The Hearing is scheduled to take place between 17 and 30 November 2020, and 1 and 4 December 2020.

On 11 October 2019, KPOC, through its solicitors, filed the Statement of Claim dated 11 October 2019 ("SOC") and claimed, amongst others, an identified sum of RM93,191,304.29 (as compared to the Notice of Arbitration for RM125.1 million as previously announced by the Group on 18 March 2019) as loss and damage in respect of the valves procured by MMHE. KPOC further alleged in the SOC that such damage, arising from the procurement of valves, is continuing. MMHE is scheduled to serve its Statement of Defence and Counterclaim (if any) on or by 22 November 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 September 2019.

B11. DERIVATIVES

There is no derivative outstanding as at 30 September 2019.

B12. LOSS PER SHARE

	Quarter Ended		Cumulative 9 Months Ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
Basic loss per share are computed as follows:				
Loss for the period attributable to equity holders of the Company (RM '000)	(4,661)	(22,718)	(43,501)	(97,472)
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>(0.3)</u>	<u>(1.4)</u>	<u>(2.7)</u>	<u>(6.1)</u>

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