MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD
(Company No.: 178821-X)

QUARTERLY REPORT

This is a quarterly report on consolidated results for the year ended 31 December 2019
The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	QUARTER ENDED		FULL YEAR ENDED	
	31 DEC 2019	31 DEC 2018	31 DEC 2019	31 DEC 2018
	RM '000	RM '000	RM '000	RM '000
Revenue	275,637	273,238	1,009,541	974,354
Other operating (expense)/income	(3,470)	(8,607)	11,170	24,220
Operating profit/(loss)	1,638	(29,156)	(41,111)	(126,193)
Finance cost	-	(920)	-	(920)
Share of results of joint ventures	1,348	3,773	1,348	3,005
Profit/(Loss) before taxation	2,986	(26,303)	(39,763)	(124,108)
Taxation	6,445	473	5,544	(55)
Profit/(Loss) after taxation	9,431	(25,830)	(34,219)	(124,163)
Other comprehensive income:				
Fair value through other comprehensive income:				
Changes in fair value	(1,560)	-	(1,560)	-
Total comprehensive income/(loss) for the period	7,871	(25,830)	(35,779)	(124,163)
Profit/(Loss) attributable to:				
Equity holders of the Company	9,277	(25,219)	(34,224)	(122,691)
Non-controlling interests	154	(611)	5	(1,472)
	9,431	(25,830)	(34,219)	(124,163)
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	7,717	(25,219)	(35,784)	(122,691)
Non-controlling interests	154	(611)	5	(1,472)
	7,871	(25,830)	(35,779)	(124,163)
Profit/(Loss) per share attributable to equity holders of the Company:				
(i) Basic (sen)	0.6	(1.6)	(2.1)	(7.7)
(ii) Dilutive (sen)	0.6	(1.6)	(2.1)	(7.7)

MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD
(Company No.: 178821-X)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	31 DEC 2019 RM '000	31 DEC 2018 RM '000
Non-current assets		
Property, plant and equipment	1,716,183	1,595,204
Land use rights	216,277	209,258
Investment in joint ventures	9,099	7,751
Deferred tax assets	93,293	93,293
	2,034,852	1,905,506
Current assets		
Inventories	4,356	5,646
Trade & other receivables	502,271	647,980
Tax recoverable	2,750	20,517
Cash and bank balances	671,914	601,544
	1,181,291	1,275,687
TOTAL ASSETS	**3,216,143**	**3,181,193**
Equity attributable to equity holders of the Company		
Share capital	1,618,263	1,618,263
Cash flow hedge reserve	(1,560)	-
Retained earnings	755,564	788,808
	2,372,267	2,407,071
Non-controlling interests	9,170	(259)
Total equity	2,381,437	2,406,812
Non-current liabilities		
Long term loan	178,871	48,354
Lease liabilities	8,600	-
	187,471	48,354
Current liabilities		
Trade & other payables	643,669	726,027
Lease liabilities	2,006	-
Derivatives	1,560	-
	647,235	726,027
Total liabilities	834,706	774,381
TOTAL EQUITY AND LIABILITIES	**3,216,143**	**3,181,193**

MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD
(Company No.: 178821-X)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	31 DEC 2019 RM '000	31 DEC 2018 RM '000
Loss before taxation	(39,763)	(124,108)
Adjustments for:		
Property, plant and equipment		
- depreciation	75,884	77,685
- write offs	108	4,174
Amortisation of land use rights	7,281	7,095
Allowance for impairment loss on trade receivables	7,151	5,738
Bad debt written off	-	10,426
Interest income	(17,850)	(15,267)
Net unrealised loss/ (gain) on foreign exchange	6,585	(8,427)
Finance cost	-	920
Share of results of joint ventures	(1,348)	(3,005)
Operating profit/(loss) before working capital changes	38,048	(44,769)
Inventories	1,290	(3,247)
Trade and other receivables	134,781	186,226
Trade and other payables	(76,806)	(75,858)
Movement in intercompany balances	-	181
Cash generated from operations	97,313	62,533
Tax paid	(629)	291
Tax refund	23,938	-
Net cash generated from operating activities	120,622	62,824
Purchase of property, plant and equipment	(179,870)	(151,869)
Purchase of land use rights	(14,300)	-
Interest received	17,850	15,267
Net cash used in investing activities	(176,320)	(136,602)
Dividends paid to equity holders of the Company	-	(48,000)
Drawdown on long term borrowings	130,517	48,354
Interest paid	(4,449)	-
Cash pledged with the bank - restricted	-	(12,182)
Net cash generated from/ (used in) financing activities	126,068	(11,828)
Net change in cash & cash equivalents	70,370	(85,606)
Cash & cash equivalents at the beginning of the year	589,362	674,968
Cash & cash equivalents at the end of the year	**659,732**	**589,362**
Cash at banks and in hand	88,889	61,204
IFSSC bank balance	562,025	523,311
Deposits with licensed banks	21,000	17,029
	671,914	601,544
Less: Cash pledged with the bank - restricted	(12,182)	(12,182)
	659,732	**589,362**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	<------Attributable to equity holders of the Company			------>		
	Share Capital RM '000	Distributable Retained Earnings RM '000	Fair Value through OCI Reserve RM '000	Total RM '000	Non-controlling Interests RM '000	Total Equity RM '000
12 MONTHS ENDED 31 DECEMBER 2019						
At 1 January 2019	1,618,263	788,808	-	2,407,071	(259)	2,406,812
Effect of the adoption of pronouncement	-	980	-	980	424	1,404
At 1 January 2019 (Restated) (Note A3)	1,618,263	789,788	-	2,408,051	165	2,408,216
Arising from increase in equity interest in subsidiary	-	-	-	-	9,000	9,000
Fair value through other comprehensive income:						
Changes in fair value	-	-	(1,560)	(1,560)	-	(1,560)
Loss for the year	-	(34,224)	-	(34,224)	5	(34,219)
At 31 DECEMBER 2019	1,618,263	755,564	(1,560)	2,372,267	9,170	2,381,437
12 MONTHS ENDED 31 DECEMBER 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
Loss for the year	-	(122,691)	-	(122,691)	(1,472)	(124,163)
Dividend 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

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 11 February 2020.

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 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 the 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 ended 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 year, 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

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:

	RM '000
Non-current assets	
Property, plant and equipment	8,270
TOTAL ASSETS	**8,270**
Equity attributable to equity holders of the Company	
Retained earnings	980
Non-controlling interests	424
Total equity	1,404
Non-current Liabilities	
Lease liabilities	6,866
Total liabilities	6,866
TOTAL EQUITY AND LIABILITIES	**8,270**

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 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 period under review.

A9. INTEREST BEARING LOANS AND BORROWINGS

The tenure of Group borrowings are as follows:

	31 Dec 2019 RM '000	31 Dec 2018 RM '000
Long term borrowings		
Secured	178,871	48,354

The Group made a RM130.5 million drawdown on a 12 year term loan meant to fund the construction of Dry Dock No. 3 in the current year.

A10. DIVIDEND PAID

The Company paid the following dividends during the year ended 31 December 2019 and 31 December 2018 respectively:

	31 Dec 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 year is as follows:

REVENUE AND RESULTS	**Heavy Engineering* RM '000**	**Marine RM '000**	**Others RM '000**	**Eliminations RM '000**	**Total RM '000**
Revenue					
External	578,632	430,909	-	-	1,009,541
Results					
Operating (loss)/profit	(60,770)	8,450	11,450 ***	(241) **	(41,111)
Share of results of joint ventures					1,348
Loss before taxation					(39,763)

***** Heavy Engineering segment comprises mainly offshore and onshore oil and gas works.
** Inter-segment transactions are eliminated on consolidation.
*** Comprises mainly foreign exchange differences 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		Full Year Ended	
	31 Dec 2019 RM '000	**31 Dec 2018 RM '000**	**31 Dec 2019 RM '000**	**31 Dec 2018 RM '000**
Profit/(Loss) for the period is arrived at after charging:				
Amortisation of land use rights	1,746	1,774	7,281	7,095
Net unrealised loss on foreign exchange	2,077	175	6,585	-
Finance cost	-	920	-	920
Property, plant and equipment				
- depreciation	17,159	19,841	75,884	77,684
- write offs	-	3,605	108	4,174
Allowance for impairment loss on trade receivables	8,597	14,975	7,151	16,164
after (crediting):				
Net income from scrap disposal	(1,127)	(504)	(2,460)	(1,841)
Interest income	(6,686)	(4,809)	(17,850)	(15,267)
Net unrealised gain on foreign exchange	-	-	-	(8,427)
Rental income				
- land	(248)	(177)	(1,028)	(313)
- building	(225)	(37)	(727)	(2,295)
- equipments	(81)	(132)	(289)	(366)

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 :-

	31 Dec 2019 RM '000	31 Dec 2018 RM '000
Unsecured		
Bank guarantees extended to: -		
- Related companies	325,297	87,800
- Third parties	54,223	85,463
	379,520	173,263

A17. CAPITAL COMMITMENTS

	31 Dec 2019 RM '000	31 Dec 2018 RM '000
Approved and contracted for	143,674	270,463
Approved but not contracted for	41,824	115,159
	185,498	385,622

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 2019 RM '000	31 Dec 2018 RM '000	31 Dec 2019 RM '000	31 Dec 2018 RM '000
Revenue				
Heavy Engineering	148,539	224,048	578,632	651,451
Marine	127,098	49,190	430,909	322,903
	275,637	273,238	1,009,541	974,354
Results				
Heavy Engineering	(10,326)	1,616	(60,770)	(38,988)
Marine	5,223	(32,965)	8,450	(81,719)
Others	6,801	2,122	11,450	(5,376)
Eliminations/Adjustments	(60)	71	(241)	(110) *#
Operating profit/(loss)	1,638	(29,156)	(41,111)	(126,193)
Finance cost	-	(920)	-	(920)
Share of results of joint ventures	1,348	3,773	1,348	3,005
Profit/(Loss) before taxation	2,986	(26,303)	(39,763)	(124,108)

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

# Inter-segment operating loss elimination				
Heavy Engineering	6	(58)	30	89
Marine	54	(13)	211	21

Performance of current quarter against the quarter ended 31 December 2018 ("corresponding quarter").

Group recorded revenue of RM275.6 million, a slight increase of RM2.4 million compared to revenue of RM273.2 million in the corresponding quarter. The Heavy Engineering revenue had decreased in the current quarter but this was compensated by an increase in the marine segment's revenue.

Notwithstanding the slight increase in revenue, the Group reported a significant turnaround in its operating profit; from an operating loss of RM29.2 million in the corresponding quarter to RM1.6 million operating profit in the current quarter.

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

Heavy Engineering

Revenue of RM148.5 million was 33.7% lower than RM224.0 million reported in the corresponding quarter, mainly due to most ongoing projects were at their tail end whilst newly secured projects were still at infancy stage.

The segment reported an operating loss of RM10.3 million compared to RM1.6 million profit in the corresponding quarter, mainly due to lower revenue and higher unabsorbed overheads.

Marine

Marine segment posted RM127.1 million revenue; RM77.9 million higher than the corresponding quarter's revenue of RM49.2 million, mainly contributed by the increase in revenue from conversion work and LPG vessels.

In tandem, operating profit for the segment improved to RM5.2 million in the current quarter compared to RM33.0 million loss in the corresponding quarter.

Share of results of joint ventures

The Group recognised profit of RM1.3 million in the current quarter mainly contributed by the settlement of projects in the joint ventures.

B1. REVIEW OF PERFORMANCE (CONT'D.)

Performance of current year against financial year ended 31 December 2018 ("prior year")

Group revenue of RM1,009.5 million was 3.6% higher than the prior year revenue of RM974.4 million mainly contributed by the increase in Marine segment's revenue. Despite the small growth in revenue, the Group posted an operating loss of RM41.1 million; lower than the RM126.2 million loss in the prior year mainly due to better performance in the Marine segment.

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

Heavy Engineering

Revenue of RM578.6 million was 11.2% lower than prior year revenue of RM651.5 million mainly due to decrease in revenue from post sail-away projects as most of these projects reached their tail end in the prior year.

The segment registered a higher operating loss of RM60.8 million against RM39.0 million loss in the prior year mainly as a result of the lower revenue and higher unabsorbed overheads.

Marine

Revenue of RM430.9 million was RM108.0 million higher than the prior year revenue of RM322.9 million, mainly contributed by the increase in revenue from dry docking services on LNG carriers and conversion work.

The segment recorded an operating profit of RM8.5 million against an operating loss of RM81.7 million in the prior year in tandem with the revenue growth and lower unabsorbed overheads.

Share of results of joint ventures

The Group recognised profit of RM1.3 million in the current year mainly contributed by the settlement of projects in the joint ventures.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Quarter Ended	
	31 Dec 2019	**30 Sep 2019**
	RM '000	**RM '000**
Revenue		
Heavy Engineering	148,539	152,773
Marine	127,098	101,572
	275,637	254,345
Results		
Heavy Engineering	(10,326)	(6,786)
Marine	5,223	2,480
Others	6,801	(493)
Eliminations/Adjustments	(60)	(60)
Operating profit/(loss)	1,638	(4,859)
Finance cost	-	403
Share of results of joint ventures	1,348	-
Profit/(Loss) before taxation	2,986	(4,456)

The Group's revenue of RM275.6 million was 8.4% higher than the preceding quarter's revenue of RM254.3 million, mainly due to increased revenue from the Marine segment.

The Group reported an operating profit of RM1.6 million against an operating loss of RM4.9 million in the preceding quarter, in tandem with the higher revenue and improved performance in the Marine segment.

B3. REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 Dec 2019 RM '000	As at 31 Dec 2018 RM '000	Variance %
Total assets	3,216,143	3,181,193	1.1%
Total equity attributable to equity holders of the Company	2,372,267	2,407,071	-1.4%
Total liabilities	834,706	774,381	7.8%

The Group's total assets increased by RM35.0 million or 1.1%, mainly due to increase in property, plant and equipment by RM121.0 million coupled with higher cash and bank balances by RM70.4 million. The increase has been partially offset with lower receivables by RM145.7 million from lesser work in progress at the end of the current year.

The decrease in total equity attributable to equity holders by RM34.8 million or 1.4% was due to losses recognised in the current year.

The increase in the Group's total liabilities by RM60.3 million or 7.8% was mainly due to disbursement of loan for Dry Dock No. 3.

B4. REVIEW OF CONSOLIDATED STATEMENT OF CASH FLOWS

	Full Year Ended		
	31 Dec 2019 RM '000	31 Dec 2018 RM '000	Variance %
Net cash generated from operating activities	120,622	62,824	92%
Net cash used in investing activities	(176,320)	(136,602)	-29%
Net cash generated from / (used in) financing activities	126,068	(11,828)	>100%
Net change in cash & cash equivalents	70,370	(85,606)	>100%

Net cash generated from operating activities was higher by RM57.8 million due to lower payments during the year.

Net cash used in investing activities was higher by RM39.7 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 year of RM130.5 million.

B5. CURRENT YEAR PROSPECTS

There were modest signs of oil price recovery throughout the year, rising towards the end of the fourth quarter due to de-escalating trade tensions following a positive Phase One trade talk between the United States and China and further production cuts by OPEC. However, outlook is expected to remain uncertain in light of continuing sluggish global economic growth, geopolitical instability, oil demand disruptions, growth in United States shale oil production and the intensifying coronavirus outbreak. As such, the Group remains prudent on the outlook for the Heavy Engineering business in the near term amidst uncertainties surrounding the timing of capital spending by major oil and gas players.

The Group is cautiously optimistic on the outlook for Marine business in view of the expected global LNG expansion driven by an increase in exports from Qatar, Australia, Russia and the United States to the Asia Pacific market. In view of the implementation of the International Maritime Organization (IMO) requirements on 1 January 2020, the Group expects no further deferment of dry docking activities by ship owners in 2020.

Meanwhile, the Group remains committed to replenish its order book by expanding its footprint in various geographical areas and diversifying into new business opportunities. Efforts to ensure competitiveness of ongoing and future bids remain a key priority, in tandem with continuing focus on cost optimisation and improved execution and delivery of ongoing 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

	31 Dec 2019 RM '000	31 Dec 2018 RM '000
Taxation for the year comprises the following:		
Income tax charge/ (credit)		
- current year	629	55
- prior year	(6,779)	-
	(5,544)	55

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. 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”).

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 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.

The evidential hearing has concluded on 6 November 2019. The Parties are currently attending to the filing of legal submissions, with the final exchange expected to take place on 10 February 2020. However, EAT’s solicitors have written to the Tribunal on 10 February 2020 to request for a short extension of time until 12 February 2020 for the filing of legal submissions and the Tribunal has similarly allowed the request. The Tribunal has scheduled an oral clarification of the matter on 24 February 2020.

MMHE also filed for the Adjudication pursuant to the Construction Industry Payment and Adjudication Act 2012 (“CIPAA”). The First Adjudication proceeding was in relation to MMHE’s claim for the sum of USD30,211,301 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 (“1st Adjudication Decision). In the 1st Adjudication Decision, the Adjudicator awarded MMHE, amongst others, the sum of USD21,520,006.

EAT has applied to set aside and/or stay the 1st Adjudication Decision in the High Court of Malaya at Kuala Lumpur. In turn, MMHE applied to register and enforce the Adjudication Decision. The High Court has indicated that a decision in respect of all pending applications will be delivered on 18 March 2020.

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. MMHE was successful in this Claim via an Adjudication decision dated 2 December 2019 (“2nd Adjudication Decision”). In the 2nd Adjudication Decision, the Adjudicator awarded MMHE, amongst others, the full claim sum.

MMHE has filed an application on 9 December 2019 to enforce the 2nd Adjudication Decision in the High Court of Malaya at Johor Bharu (“Enforcement Application”) whereas EAT has filed an application on 31 December 2019 to set aside and/or stay the 2nd Adjudication Decision (“Setting Aside and/or Stay Application”) in the High Court of Malaya at Kuala Lumpur. Affidavits are currently being exchanged in all three (3) applications. In relation to the Enforcement Application, hearing is fixed on 30 April 2020. In relation to EAT’s Setting Aside and/or Stay Application, the next case management is fixed on 6 March 2020.

B8. CHANGES IN MATERIAL LITIGATION (CONT'D.)

ii) Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE") and Kebabangan 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 ((which differs from the amount claimed in the Notice of Arbitration i.e. 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 has filed its Statement of Defence on 6 December 2019, following which, KPOC has subsequently filed its Statement of Reply on 17 January 2020. The latter filing marks the close of pleadings as no counterclaim is pursued by MMHE.

Parties have now progressed to the discovery phase of the process and will be attending to procedural matters as directed by the Arbitral Tribunal in Procedural Protocol No. 1 (amended on 3 December 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.

B9. DIVIDEND PROPOSED

No dividend has been proposed for the year ended 31 December 2019.

B10. DERIVATIVES

Details of the Group's derivative financial instruments outstanding as at 31 December 2019 are as follows:

	Contract/ Notional Amount as at 31 Dec 2019 (in RM '000)	**Fair Value profit (in RM '000)**
Forward foreign currency contracts	117,444	-

During the year the Group recognised a net unrealised loss of RM1,560,000 in its equity, in relation to the fair value of the hedge instrument's spot component.

B11. PROFIT/(LOSS) PER SHARE

	Quarter Ended		**Full Year Ended**	
	31 Dec 2019	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
Basic profit/(loss) per share are computed as follows:				
Profit/(Loss) for the period attributable to equity holders of the Company (RM '000)	9,277	(25,219)	(34,224)	(122,691)
Weighted average number of ordinary shares in issue (thousand)	1,600,000	1,600,000	1,600,000	1,600,000
Basic profit/(loss) per share (sen)	**0.6**	**(1.6)**	**(2.1)**	**(7.7)**

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