

**QUARTERLY REPORT**

This is a quarterly report on consolidated results for the period ended 31 March 2020  
The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2020**

	QUARTER ENDED		CUMULATIVE 3 MONTHS ENDED	
	31 MAR 2020 RM '000	31 MAR 2019 RM '000	31 MAR 2020 RM '000	31 MAR 2019 RM '000
Revenue	346,439	203,110	346,439	203,110
Other operating income	<u>8,072</u>	<u>4,569</u>	<u>8,072</u>	<u>4,569</u>
Operating profit/(loss)	5,646	(29,305)	5,646	(29,305)
Finance cost	-	(200)	-	(200)
Share of results of joint ventures	-	-	-	-
Profit/(Loss) before taxation	<u>5,646</u>	<u>(29,505)</u>	<u>5,646</u>	<u>(29,505)</u>
Taxation	<u>(100)</u>	<u>(255)</u>	<u>(100)</u>	<u>(255)</u>
Profit/(Loss) after taxation	<u>5,546</u>	<u>(29,760)</u>	<u>5,546</u>	<u>(29,760)</u>
<b>Other comprehensive income:</b>				
Fair value through other comprehensive income:				
Changes in fair value	<u>9,311</u>	<u>-</u>	<u>9,311</u>	<u>-</u>
<b>Total comprehensive income/(loss) for the period</b>	<u>14,857</u>	<u>(29,760)</u>	<u>14,857</u>	<u>(29,760)</u>
<b>Profit/(Loss) attributable to:</b>				
Equity holders of the Company	6,131	(29,365)	6,131	(29,365)
Non-controlling interests	<u>(585)</u>	<u>(395)</u>	<u>(585)</u>	<u>(395)</u>
	<u>5,546</u>	<u>(29,760)</u>	<u>5,546</u>	<u>(29,760)</u>
<b>Total comprehensive profit/(loss) attributable to:</b>				
Equity holders of the Company	15,442	(29,365)	15,442	(29,365)
Non-controlling interests	<u>(585)</u>	<u>(395)</u>	<u>(585)</u>	<u>(395)</u>
	<u>14,857</u>	<u>(29,760)</u>	<u>14,857</u>	<u>(29,760)</u>
Profit/(Loss) per share attributable to equity holders of the Company:				
(i) Basic (sen)	0.4	(1.8)	0.4	(1.8)
(ii) Dilutive (sen)	0.4	(1.8)	0.4	(1.8)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020**

	31 MAR 2020 RM '000	31 DEC 2019 RM '000
Non-current assets		
Property, plant and equipment	1,748,425	1,704,460
Right-of-use assets	225,616	228,002
Investment in joint ventures	9,099	9,099
Deferred tax assets	93,293	93,293
	<u>2,076,433</u>	<u>2,034,854</u>
Current assets		
Inventories	3,253	4,356
Trade & other receivables	615,106	504,102
Derivatives	7,751	-
Tax recoverable	784	751
Cash and bank balances	650,965	673,914
	<u>1,277,859</u>	<u>1,183,123</u>
<b>TOTAL ASSETS</b>	<b><u>3,354,292</u></b>	<b><u>3,217,977</u></b>
Equity attributable to equity holders of the Company		
Share capital	1,618,263	1,618,263
Cash flow hedge reserve	7,751	(1,560)
Retained earnings	761,696	755,565
	<u>2,387,710</u>	<u>2,372,268</u>
Non-controlling interests	8,585	9,170
Total equity	<u>2,396,295</u>	<u>2,381,438</u>
Non-current liabilities		
Borrowing	208,607	178,871
Lease liabilities	9,620	8,600
	<u>218,227</u>	<u>187,471</u>
Current liabilities		
Trade & other payables	739,278	645,503
Lease liabilities	492	2,005
Derivatives	-	1,560
	<u>739,770</u>	<u>649,068</u>
Total liabilities	<u>957,997</u>	<u>836,539</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>3,354,292</u></b>	<b><u>3,217,977</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2020**

	31 MAR 2020 RM '000	31 MAR 2019 RM '000
Loss before taxation	5,646	(29,505)
Adjustments for:		
Property, plant and equipment		
- depreciation	18,198	19,621
- write offs	-	99
Amortisation of right-of-use assets	2,386	1,835
Allowance/ (reversal) for impairment loss on trade receivables	936	(1,144)
Interest income	(3,773)	(3,197)
Net unrealised gain on foreign exchange	(4,120)	(1,884)
Finance cost	-	200
Operating profit/ (loss) before working capital changes	19,273	(13,975)
Inventories	1,103	565
Trade and other receivables	(106,378)	(27,787)
Trade and other payables	91,807	(18,143)
Cash generated from operations	5,805	(59,340)
Tax paid	(100)	-
Net cash generated from/ (used in) operating activities	5,705	(59,340)
Purchase of property, plant and equipment	(62,163)	(66,704)
Purchase of land use rights	-	(12,307)
Interest received	3,773	2,857
Net cash used in investing activities	(58,390)	(76,154)
Drawdown on long term borrowings	29,736	51,324
Interest paid	-	(200)
Net cash generated from financing activities	29,736	51,124
Net change in cash & cash equivalents	(22,949)	(84,370)
Cash & cash equivalents at the beginning of the period	661,732	589,362
<b>Cash &amp; cash equivalents at the end of the period</b>	<b>638,783</b>	<b>504,992</b>
Cash at banks and in hand	7,000	60,087
IFSSC bank balance	456,453	414,087
Deposits with licensed banks	187,512	43,000
	650,965	517,174
Less: Cash pledged with the bank - restricted	(12,182)	(12,182)
	<b>638,783</b>	<b>504,992</b>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2020

	←-----Attributable to equity-----> holders of the Company			Total RM '000	Non-controlling Interests RM '000	Total Equity RM '000
	Share Capital RM '000	Distributable Retained Earnings RM '000	Fair Value through OCI Reserve RM '000			
<b>3 MONTHS ENDED 31 MARCH 2020</b>						
<b>At 1 January 2020</b>	1,618,263	755,565	(1,560)	2,372,268	9,170	2,381,438
Fair value through other comprehensive income:						
Changes in fair value	-	-	9,311	9,311	-	9,311
Profit/(Loss) for the period	-	6,131	-	6,131	(585)	5,546
<b>At 31 MARCH 2020</b>	<u>1,618,263</u>	<u>761,696</u>	<u>7,751</u>	<u>2,387,710</u>	<u>8,585</u>	<u>2,396,295</u>
<b>3 MONTHS ENDED 31 MARCH 2019</b>						
<b>At 1 January 2019</b>	1,618,263	788,808	-	2,407,071	(259)	2,406,812
Effect of the adoption of pronouncements	-	(794)	-	(794)	-	(794)
<b>At 1 January 2019 (Restated)</b>	<u>1,618,263</u>	<u>788,014</u>	<u>-</u>	<u>2,406,277</u>	<u>(259)</u>	<u>2,406,018</u>
Loss for the period	-	(29,365)	-	(29,365)	(395)	(29,760)
<b>At 31 MARCH 2019</b>	<u>1,618,263</u>	<u>758,649</u>	<u>-</u>	<u>2,376,912</u>	<u>(654)</u>	<u>2,376,258</u>

## **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 28 April 2020.

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

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

These condensed consolidated interim financial statements for the period ended 31 March 2020 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 2019. 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 2019.

### **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 2020 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 2019.

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 2020**

Amendments to MFRS 3: Business Combinations (Definition of a Business)  
Amendments to MFRS 7: Financial Instruments - Disclosure (Interest Rate Benchmark Reform)  
Amendments to MFRS 9: Financial Instruments (Interest Rate Benchmark Reform)  
Amendments to MFRS 101 :Presentation of Financial Statements (Definition of Material)  
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)

The adoption of these pronouncements did not have a significant impact to the financial statements of the Group and the Company.

### **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 2019.

### **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 period ended 31 March 2020.

**A9. INTEREST BEARING LOANS AND BORROWINGS**

The tenure of Group borrowings are as follows:

	31 Mar 2020 RM '000	31 Dec 2019 RM '000
Long term borrowings		
Secured	208,607	178,871

The Group made a RM29.7 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 has not paid any dividends during the period ended 31 March 2020.

**A11. SEGMENT REPORT**

Segmental analysis for the current financial period is as follows:

REVENUE AND RESULTS	Heavy Engineering*	Marine	Others	Eliminations	Total
	RM '000	RM '000	RM '000	RM '000	RM '000
<b>Revenue</b>					
External	<u>226,785</u>	<u>119,654</u>	<u>-</u>	<u>-</u>	<u>346,439</u>
<b>Results</b>					
Operating profit/(loss)	<u>1,227</u>	<u>(1,451)</u>	<u>5,786</u> ***	<u>84</u> **	5,646
Finance costs					-
<b>Profit before taxation</b>					<u>5,646</u>

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

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

\*\*\* Comprise mainly foreign exchange gains/losses 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 3 Months Ended	
	31 Mar 2020 RM '000	31 Mar 2019 RM '000	31 Mar 2020 RM '000	31 Mar 2019 RM '000
<b>Profit/(Loss) for the period is arrived at after charging:</b>				
Amortisation of right-of-use assets	2,386	1,835	2,386	1,835
Finance cost	-	200	-	200
Property, plant and equipment				
- depreciation	18,198	19,621	18,198	19,621
- write offs	-	99	-	99
Allowance for impairment loss on trade receivables	936	-	936	-
<b>after (crediting):</b>				
Net income from scrap disposal	(598)	-	(598)	-
Interest income	(3,773)	(3,197)	(3,773)	(3,197)
Net unrealised gain on foreign exchange	(4,120)	(1,884)	(4,120)	(1,884)
Net reversal of impairment loss on trade receivables	-	(1,144)	-	(1,144)
Rental income				
- land	(19)	(19)	(19)	(19)
- building	(308)	(270)	(308)	(270)
- equipments	(71)	(57)	(71)	(57)

**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 2019.

**A14. SUBSEQUENT MATERIAL EVENTS**

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

**A15. CHANGES IN THE COMPOSITION OF THE GROUP**

Malaysia Marine and Heavy Engineering Sdn. Bhd. ("MMHE"), a wholly-owned subsidiary of the Company, had on 27 February 2020 incorporated a new subsidiary, MHS Integrated Engineering Sdn. Bhd. ("MHSI"), under the Malaysian Companies Act 2016 for the purpose of providing plant turnaround and shutdown maintenance services. MHSI is a 90% owned subsidiary of MMHE.

**A16. CONTINGENT LIABILITIES**

Contingent liabilities of the Group comprise the following :-

	31 Mar 2020 RM '000	31 Dec 2019 RM '000
<b>Unsecured</b>		
Bank guarantees extended to: -		
- Related companies	302,617	326,181
- Third parties	60,001	58,013
	<u>362,618</u>	<u>384,194</u>

**A17. CAPITAL COMMITMENTS**

	31 Mar 2020 RM '000	31 Dec 2019 RM '000
Approved and contracted for	120,107	132,701
Approved but not contracted for	97,270	79,862
	<u>217,377</u>	<u>212,563</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 3 Months Ended	
	31 Mar 2020 RM '000	31 Mar 2019 RM '000	31 Mar 2020 RM '000	31 Mar 2019 RM '000
<b>Revenue</b>				
Heavy Engineering	226,785	125,426	226,785	125,426
Marine	119,654	77,684	119,654	77,684
	<u>346,439</u>	<u>203,110</u>	<u>346,439</u>	<u>203,110</u>
<b>Results</b>				
Heavy Engineering	1,227	(23,854)	1,227	(23,854)
Marine	(1,451)	(7,456)	(1,451)	(7,456)
Others	5,786	2,065	5,786	2,065
Eliminations/Adjustments	84	(60)	84	(60) <sup>*#</sup>
<b>Operating profit/(loss)</b>	<u>5,646</u>	<u>(29,305)</u>	<u>5,646</u>	<u>(29,305)</u>
Finance cost	-	(200)	-	(200)
<b>Profit/(Loss) before taxation</b>	<u>5,646</u>	<u>(29,505)</u>	<u>5,646</u>	<u>(29,505)</u>

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

# Inter-segment operating profit/(loss) elimination

Heavy Engineering	(48)	49	(48)	49
Marine	(36)	11	(36)	11

**Performance of current quarter against the quarter ended 31 March 2019 ("corresponding quarter").**

The Group recorded revenue of RM346.4 million in the current quarter, increased by 70.6% from revenue of RM203.1 million in the corresponding quarter. Both Heavy Engineering and Marine segments contributed to the improvement in the revenue.

At the operating profit level, the Group reported a turnaround; from an operating loss of RM29.3 million in the corresponding quarter to RM5.6 million operating profit in the current quarter, mainly due to higher revenue and improved performance in both segments.

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

**Heavy Engineering**

Revenue of RM226.8 million increased by 80.8% from RM125.4 million reported in the corresponding quarter, mainly contributed by higher revenue from on-going projects.

The segment reported an operating profit of RM1.2 million in the current quarter compared to an operating loss of RM23.9 million in the corresponding quarter, mainly due to reversal of cost provisions in the current quarter.

**Marine**

Marine segment posted RM119.7 million revenue; 54.0% higher than the corresponding quarter's revenue of RM77.7 million, mainly contributed by the increase in revenue from LPG vessels and conversion work.

In tandem with the higher revenue, operating loss for the segment reduced to RM1.5 million in the current quarter compared to RM7.5 million loss in the corresponding quarter.

**Share of results of joint ventures**

The Group has not recorded any share of profit in joint ventures in the current quarter as all joint ventures have become dormant.



**B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS**

	Quarter Ended	
	31 Mar 2020 RM '000	31 Dec 2019 RM '000
<b>Revenue</b>		
Heavy Engineering	226,785	148,539
Marine	119,654	127,098
	<u>346,439</u>	<u>275,637</u>
<b>Results</b>		
Heavy Engineering	1,227	(10,326)
Marine	(1,451)	5,223
Others	5,786	6,801
Eliminations/Adjustments	84	(60)
<b>Operating profit</b>	<u>5,646</u>	<u>1,638</u>
Share of results of joint ventures	-	1,348
<b>Profit before taxation</b>	<u>5,646</u>	<u>2,986</u>

The Group's revenue of RM346.4 million was 25.7% higher than the preceding quarter's revenue of RM275.6 million, mainly due to higher revenue from the Heavy Engineering segment.

The Group reported an operating profit of RM5.6 million against an operating profit of RM1.6 million in the preceding quarter, mainly contributed by the higher revenue and improved performance in the Heavy Engineering segment.

**B3. REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	As at	As at	Variance %
	31 Mar 2020 RM '000	31 Dec 2019 RM '000	
Total assets	3,354,292	3,217,977	4.2%
Total equity attributable to equity holders of the Company	2,387,710	2,372,268	0.7%
Total liabilities	957,997	836,539	14.5%

The Group's total assets increased by RM136.3 million or 4.2%, mainly due to the increase in receivables by RM111.0 million coupled with higher property, plant and equipment by RM44.0 million. The increase had been partially offset with lower cash and bank balances by RM22.9 million.

The increase in total equity attributable to equity holders by RM15.4 million or 0.7% was due to profit recognised in the current period coupled with recognition of unrealised derivatives gain on cash flow hedges amounting to RM9.3 million.

The increase in the Group's total liabilities by RM121.5 million or 14.5% was mainly due to higher payables and higher borrowings from the additional disbursement of loan for Dry Dock No. 3.

**B4. REVIEW OF CONSOLIDATED STATEMENT OF CASH FLOWS**

	Cumulative 3 Months Ended		Variance %
	31 Mar 2020 RM '000	31 Mar 2019 RM '000	
Net cash generated from/ (used in) operating activities	5,705	(59,340)	>100%
Net cash used in investing activities	(58,390)	(76,154)	23%
Net cash generated from financing activities	29,736	51,124	-42%
Net change in cash & cash equivalents	(22,949)	(84,370)	73%

The Group recorded net cash generated from operating activities of RM5.7 million compared to net cash used in operating activities of RM59.3 million in the corresponding period mainly due to higher collection in the current period.

Net cash used in investing activities was lower by RM17.8 million, mainly due to lower capital spending in the current period.

Net cash generated from financing activities was lower by RM21.4 million mainly due to lower term loan drawdown in the current period of RM29.7 million.

**B5. CURRENT YEAR PROSPECTS**

The COVID-19 pandemic had caused global demand and oil prices to plummet at an unprecedented rate. Most oil majors have started reducing their annual capital spending and revising their investment plans to counter the negative financial impact amidst the grim landscape. The subsequent oil production cut agreed by OPEC+ to mitigate the oil price crash did not result in any significant recovery in prices. The Group expects the risks of deferrals and scale-down of upstream projects to prolong and continue to pose challenges to the industry for the remainder of the year. In light of the risks, the Group remains cautious on the remaining opportunities despite PETRONAS' announcement of its intention to maintain domestic capital spending plans.

Whilst demand for oil storage including floating storage and tankers appears to have increased from the oil supply overhang, the outlook for marine repairs and dry-docking activities remains uncertain. Charter hire rates are expected to remain volatile amidst declining prospects for the global shipping and trade activities due to the current pandemic and oil price crash. Demand for LNG which has been a contributing factor to growth in marine repair activity is also expected to experience a slowdown due to a significantly weakened economic outlook. The Group continues to focus on optimising its costs whilst improving project delivery and execution in order to maintain margins in the Marine segment in this challenging market environment.

The COVID-19 pandemic has prompted the Malaysian Government to declare an MCO (Movement Control Order) beginning 18 March 2020 until 12 May 2020 which may be further extended if required. The Group's activities at the yard had been suspended to comply with the MCO and was only granted approval on 16 April 2020 to operate at limited capacity during the MCO. Subsequently, on 28 April 2020 the Malaysian Government announced that companies granted approval to operate during MCO are now allowed to increase their workforce to full capacity with no restriction on operating hours. However, it remains uncertain to date how business operations will be conducted during and after the MCO since the impact both domestically and internationally has yet to be ascertained as many other countries are also currently in or have just lifted their lockdowns. The Group expects significant disruptions to the global supply chain and logistics which may potentially impact the supply of materials, equipments and resources related to the execution of the projects the Group has in hand. This may lead to sourcing for alternatives which may have cost and schedule consequences.

In view of the current crisis, the Group faces significant risks to its financial results and position including potential impairment of assets. However, at the present time, the Group is unable to fully assess and quantify the impact as discussions are still ongoing with clients and key stakeholders on the way forward. Furthermore, the Group's ability to assess the impact is made more difficult due to the extremely fluid global situation riddled with uncertainties.

Nevertheless, the Group remains focused on resource optimisation to reduce its operating cost in line with the challenging outlook of the industry. Meanwhile, its efforts to ensure competitiveness for ongoing and future bids by improving execution and delivery of ongoing projects shall be further intensified. In addition, the Group continues to bolster its efforts to replenish its orderbook by diversifying into new business opportunities, namely onshore and renewable segments.

**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 Mar 2020 RM '000	31 Mar 2019 RM '000
Taxation for the period comprises the following:		
Income tax charge		
- current period	100	255
	<u>100</u>	<u>255</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. 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 overpayment; (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 of USD49,095,096 being payment for the AWOs, prolongation costs and additional costs incurred due to variations to the original scope of work.

The evidential hearing for the Arbitration was concluded on 6 November 2019. Following the aforesaid, parties were directed to, and have complied with, the filing of written legal submissions whereby the latest written submissions were filed on 2 March 2020. The Arbitral Tribunal has requested that an oral clarification be fixed and this clarification, initially fixed on 31 March 2020, has been re-scheduled to 16 June 2020 in view of the extended MCO, as announced by the Government.

The Group has and will continue to rigorously defend the claims made by EAT and pursue its counterclaims in the course of the said oral clarification as well as in any other clarifications that the Tribunal may seek.

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, on its own accord, re-scheduled the delivery of decision in respect of the pending applications from 18 March 2020 to 10 April 2020. This date has since been vacated due to the Movement Controlled Order announced by the Government. A new date for the delivery of the said decision has not been fixed by the High Court.

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 Bahru ("Enforcement Application") whereas EAT has filed an application on 31 December 2019 to set aside and/or stay the 2nd Adjudication Decision ("2nd Setting Aside and/or Stay Application") in the High Court of Malaya at Kuala Lumpur. Affidavits have been exhausted in respect of the Enforcement Application whereas affidavits are being exchanged in respect of the 2nd Setting Aside and/or Stay Application. In relation to the Enforcement Application, hearing is fixed on 30 April 2020. In relation to EAT's Setting Aside and/or Stay Application, a case management was fixed on 16 April 2020. However, the case management has since been vacated in light of the extended Movement Control Order announced by the Government and has been re-fixed to 29 May 2020. In this regard, the Court (1) directed that EAT file its further Affidavit in Reply by 12 May 2020; and (2) informed parties that directions in respect of Written Submissions will be given on 29 May 2020 i.e. at the next case management date.

Further to the above, EAT has also filed an application on 25 February 2020 to consolidate the setting aside and/or stay application of the 1st Adjudication Decision with that of the 2nd Setting Aside and/or Stay Application or, in the alternative, transfer the 2nd Setting Aside and/or Stay Application from Kuala Lumpur Construction Court No. 2 to Kuala Lumpur Construction Court No. 1. Affidavits are currently being exchanged in respect of this application. In relation to this application, a case management was also fixed on 16 April 2020. This case management too was vacated in light of the extended Movement Control Order and has been re-fixed to 29 May 2020. In this regard, the Court directed that (1) EAT file its Affidavit in Reply by 12 May 2020; and (2) parties to file their respective Written Submissions by 26 May 2020.

**B8. 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 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.

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 are now presently in the discovery phase of the process and are attending to procedural matters as directed by the Arbitral Tribunal in Procedural Protocol No. 1 (as amended by the Tribunal's email dated 21 February 2020).

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

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.

Based on the parties' respective positions to date in the Arbitration and the evidence reviewed so far, MMHE has been advised by its solicitors that it has good grounds to defend the claim pursued by KPOC and therefore has not made any provisions in respect of this claim.

**B9. DIVIDEND PROPOSED**

No dividend has been proposed for the period ended 31 March 2020.

**B10. DERIVATIVES**

Details of the Group's derivative financial instruments outstanding as at 31 March 2020 are as follows:

	<b>Contract/ Notional Amount as at 31 Mar 2020 (in RM '000)</b>	<b>Fair Value gain (in RM '000)</b>
Forward foreign currency contracts	378,725	7,751

During the period, the Group recognised a net unrealised derivatives gain of RM9,311,000 in its equity, in relation to the fair value of the cash flow hedges.

**B11. PROFIT/(LOSS) PER SHARE**

	<b>Quarter Ended</b>		<b>Cumulative 3 Months Ended</b>	
	<b>31 Mar 2020</b>	<b>31 Mar 2019</b>	<b>31 Mar 2020</b>	<b>31 Mar 2019</b>
Basic profit/(loss) per share are computed as follows:				
Profit/(Loss) for the period attributable to equity holders of the Company (RM '000)	6,131	(29,365)	6,131	(29,365)
Weighted average number of ordinary shares in issue (thousand)	1,600,000	1,600,000	1,600,000	1,600,000
<b>Basic profit/(loss) per share (sen)</b>	<b>0.4</b>	<b>(1.8)</b>	<b>0.4</b>	<b>(1.8)</b>

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