

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 30 September 2020
The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	QUARTER ENDED		CUMULATIVE 9 MONTHS ENDED	
	30 SEP 2020	30 SEP 2019	30 SEP 2020	30 SEP 2019
	RM '000	RM '000	RM '000	RM '000
Revenue	369,459	254,345	871,206	733,904
Other operating income	<u>3,080</u>	<u>1,930</u>	<u>1,556</u>	<u>14,640</u>
Operating profit/(loss)	2,520	(4,859)	(92,072)	(42,749)
Impairment loss	-	-	(300,000)	-
Finance cost	-	403	-	-
Share of results of joint ventures	-	-	-	-
Profit/(loss) before taxation	<u>2,520</u>	<u>(4,456)</u>	<u>(392,072)</u>	<u>(42,749)</u>
Taxation	<u>(100)</u>	<u>(272)</u>	<u>(301)</u>	<u>(901)</u>
Profit/(loss) after taxation	<u>2,420</u>	<u>(4,728)</u>	<u>(392,373)</u>	<u>(43,650)</u>
Other comprehensive loss:				
Fair value through other comprehensive income:				
Changes in fair value	<u>(7,987)</u>	<u>-</u>	<u>(4,022)</u>	<u>-</u>
Total comprehensive loss for the period	<u>(5,567)</u>	<u>(4,728)</u>	<u>(396,395)</u>	<u>(43,650)</u>
Profit/(loss) attributable to:				
Equity holders of the Company	2,644	(4,661)	(388,248)	(43,501)
Non-controlling interests	<u>(224)</u>	<u>(67)</u>	<u>(4,125)</u>	<u>(149)</u>
	<u>2,420</u>	<u>(4,728)</u>	<u>(392,373)</u>	<u>(43,650)</u>
Total comprehensive loss attributable to:				
Equity holders of the Company	(5,343)	(4,661)	(392,270)	(43,501)
Non-controlling interests	<u>(224)</u>	<u>(67)</u>	<u>(4,125)</u>	<u>(149)</u>
	<u>(5,567)</u>	<u>(4,728)</u>	<u>(396,395)</u>	<u>(43,650)</u>
Profit/(loss) per share attributable to equity holders of the Company:				
(i) Basic (sen)	0.2	(0.3)	(24.3)	(2.7)
(ii) Dilutive (sen)	0.2	(0.3)	(24.3)	(2.7)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

	30 SEP 2020 RM '000	31 DEC 2019 RM '000
Non-current assets		
Property, plant and equipment	1,475,772	1,704,460
Right-of-use assets	218,550	228,002
Investment in joint ventures	9,099	9,099
Deferred tax assets	93,293	93,293
	<u>1,796,714</u>	<u>2,034,854</u>
Current assets		
Inventories	3,690	4,356
Trade & other receivables	728,630	504,102
Tax recoverable	975	751
Cash and bank balances	657,202	673,914
	<u>1,390,497</u>	<u>1,183,123</u>
TOTAL ASSETS	<u>3,187,211</u>	<u>3,217,977</u>
Equity attributable to equity holders of the Company		
Share capital	1,618,263	1,618,263
Cash flow hedge reserve	(5,582)	(1,560)
Retained earnings	367,317	755,565
	<u>1,979,998</u>	<u>2,372,268</u>
Non-controlling interests	5,045	9,170
Total equity	<u>1,985,043</u>	<u>2,381,438</u>
Non-current liabilities		
Borrowing	232,856	178,871
Lease liabilities	7,123	8,600
	<u>239,979</u>	<u>187,471</u>
Current liabilities		
Trade & other payables	939,081	645,503
Borrowing	15,540	-
Lease liabilities	1,986	2,005
Derivatives	5,582	1,560
	<u>962,189</u>	<u>649,068</u>
Total liabilities	<u>1,202,168</u>	<u>836,539</u>
TOTAL EQUITY AND LIABILITIES	<u>3,187,211</u>	<u>3,217,977</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	30 SEP 2020	30 SEP 2019
	RM '000	RM '000
Loss before taxation	(392,072)	(42,749)
Adjustments for:		
Property, plant and equipment		
- depreciation	49,596	58,725
- write offs	40	108
- impairment loss	297,698	-
Right-of-use assets		
- amortisation	7,150	5,535
- impairment loss	2,302	-
Allowance for/(reversal of) impairment loss on trade receivables	12,087	(1,446)
Interest income	(9,674)	(11,164)
Net unrealised loss on foreign exchange	1,024	4,508
Operating (loss)/profit before working capital changes	(31,849)	13,517
Inventories	666	1,231
Trade and other receivables	(237,763)	141,171
Trade and other payables	291,815	(28,708)
Cash generated from operations	22,869	127,211
Tax paid	(134)	(629)
Tax refund	-	10,895
Net cash generated from operating activities	22,735	137,477
Purchase of property, plant and equipment	(118,646)	(166,307)
Purchase of land use rights	-	(14,300)
Interest received	9,674	11,164
Net cash used in investing activities	(108,972)	(169,443)
Drawdown on long term borrowings	69,525	93,898
Interest paid	-	(2,176)
Net cash generated from financing activities	69,525	91,722
Net change in cash & cash equivalents	(16,712)	59,756
Cash & cash equivalents at the beginning of the year	673,914	601,544
Cash & cash equivalents at the end of the period	657,202	661,300
Cash at banks and in hand	116,495	60,373
IFSSC bank balance	391,889	572,900
Deposits with licensed banks	161,000	40,209
	669,384	673,482
Less: Cash pledged with the bank - restricted	(12,182)	(12,182)
	657,202	661,300

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 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			
9 MONTHS ENDED 30 SEPTEMBER 2020						
At 1 January 2020	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	-	-	(4,022)	(4,022)	-	(4,022)
Loss for the period	-	(388,248)	-	(388,248)	(4,125)	(392,373)
At 30 SEPTEMBER 2020	1,618,263	367,317	(5,582)	1,979,998	5,045	1,985,043
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 pronouncements	-	1,068	-	1,068	461	1,529
At 1 January 2019 (Restated)	1,618,263	789,876	-	2,408,139	202	2,408,341
Loss for the period	-	(43,501)	-	(43,501)	(149)	(43,650)
At 30 SEPTEMBER 2019	1,618,263	746,375	-	2,364,638	53	2,364,691

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 26 October 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 period ended 30 September 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 have adopted the following revised MFRSs and Amendments to MFRSs (collectively referred to as "pronouncements") that have been issued by the MASB:

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 the above pronouncements has no material financial impact to 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 other than as disclosed in these condensed consolidated interim financial statements.

A7. CHANGES IN ESTIMATES

There were no material changes in estimates reported in the current period or prior financial year other than as disclosed in the condensed consolidated statement of comprehensive income.

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 30 September 2020.

A9. INTEREST BEARING LOANS AND BORROWINGS

The tenure of Group borrowings are as follows:

	30 Sep 2020 RM '000	31 Dec 2019 RM '000
Secured		
Short term borrowings	15,540	-
Long term borrowings	<u>232,856</u>	<u>178,871</u>
	<u>248,396</u>	<u>178,871</u>

The Group made a RM69.5 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 30 September 2020.

A11. SEGMENT REPORT

Segmental analysis for the current financial period is as follows:

	Heavy Engineering RM '000	Marine RM '000	Others RM '000	Eliminations RM '000	Total RM '000
REVENUE AND RESULTS					
Revenue					
External	<u>609,691</u>	<u>261,515</u>	<u>-</u>	<u>-</u>	<u>871,206</u>
Results					
Operating (loss)/profit	<u>(68,331)</u>	<u>(30,275)</u>	<u>6,299</u> **	<u>235</u> *	(92,072)
Impairment loss					(300,000)
Loss before taxation					<u>(392,072)</u>

* Inter-segment transactions are eliminated on consolidation.

** Comprise mainly interest income.

A12. PROFIT/(LOSS) FOR THE PERIOD

	Quarter Ended		Cumulative 9 Months Ended	
	30 Sep 2020 RM '000	30 Sep 2019 RM '000	30 Sep 2020 RM '000	30 Sep 2019 RM '000
Profit/(loss) for the period is arrived at after charging:				
Right-of-use assets				
- amortisation	2,379	1,865	7,150	5,535
- impairment loss	-	-	2,302	-
Net unrealised loss on foreign exchange	1,256	6,428	1,024	4,508
Property, plant and equipment				
- depreciation	13,584	22,111	49,596	58,725
- write offs	-	9	40	108
- impairment loss	-	-	297,698	-
Allowance for impairment loss on trade receivables	-	-	12,087	-
after (crediting):				
Net income from scrap disposal	(2,029)	(534)	(3,065)	(1,333)
Interest income	(2,199)	(3,277)	(9,674)	(11,164)
Net reversal of impairment loss on trade receivables	(648)	(302)	-	(1,446)
Finance costs	-	(403)	-	-
Rental income				
- land	(216)	(266)	(613)	(780)
- building	(362)	(151)	(561)	(502)
- equipments	(93)	(78)	(164)	(208)

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. ("MHSEI"), under the Malaysian Companies Act 2016 for the purpose of providing plant turnaround and shutdown maintenance services. MHSEI is a 90% owned subsidiary of MMHE.

A16. CONTINGENT LIABILITIES

Contingent liabilities of the Group comprise the following :-

	30 Sep 2020 RM '000	31 Dec 2019 RM '000
Unsecured		
Bank guarantees extended to: -		
- Related companies	309,813	326,181
- Third parties	56,848	58,013
	<u>366,661</u>	<u>384,194</u>

A17. CAPITAL COMMITMENTS

	30 Sep 2020 RM '000	31 Dec 2019 RM '000
Approved and contracted for	146,111	132,701
Approved but not contracted for	51,038	79,862
	<u>197,149</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 9 Months Ended	
	30 Sep 2020 RM '000	30 Sep 2019 RM '000	30 Sep 2020 RM '000	30 Sep 2019 RM '000
Revenue				
Heavy Engineering	270,852	152,773	609,691	430,093
Marine	98,607	101,572	261,515	303,811
	<u>369,459</u>	<u>254,345</u>	<u>871,206</u>	<u>733,904</u>
Results				
Heavy Engineering	214	(6,786)	(68,331)	(50,444)
Marine	1,199	2,480	(30,275)	3,227
Others	1,034	(493)	6,299	4,649
Eliminations/Adjustments	73	(60)	235	(181) ^{*#}
Operating profit/(loss)	<u>2,520</u>	<u>(4,859)</u>	<u>(92,072)</u>	<u>(42,749)</u>
Impairment loss	-	-	(300,000)	-
Finance cost	-	403	-	-
Share of results of joint ventures	-	-	-	-
Profit/(Loss) before taxation	<u>2,520</u>	<u>(4,456)</u>	<u>(392,072)</u>	<u>(42,749)</u>
[*] Inter-segment revenue and transactions are eliminated on consolidation.				
[#] Inter-segment operating profit/(loss) elimination				
Heavy Engineering	(42)	8	(135)	24
Marine	(31)	52	(100)	157

Performance of current quarter against the quarter ended 30 September 2019 ("corresponding quarter").

The Group recorded revenue of RM369.5 million in the current quarter, increased by 45.3% from revenue of RM254.3 million in the corresponding quarter mainly due to higher revenue from the Heavy Engineering segment.

At the operating profit level, the Group recorded profit of RM2.5 million compared to RM4.9 million loss in the corresponding quarter in tandem with the higher revenue.

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

Heavy Engineering

Revenue of RM270.9 million increased by 77.3% from RM152.8 million reported in the corresponding quarter, mainly due to increased activities in ongoing projects.

In tandem with higher revenue, the segment has turned into profit of RM0.2 million in the current quarter compared to an operating loss of RM6.8 million in the corresponding quarter.

Marine

Marine segment posted RM98.6 million revenue compared to RM101.6 million in the corresponding quarter mainly due to lower number of vessels secured for repair and maintenance as the segment has not fully recovered from the Covid-19 pandemic impact.

The segment recorded an operating profit of RM1.2 million compared to RM2.5 million in the corresponding quarter in tandem with the lower revenue coupled with higher unabsorbed overhead.

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.

B1. REVIEW OF PERFORMANCE (CONT'D.)

Performance of current period against financial period ended 30 September 2019 ("prior period")

Group revenue of RM871.2 million was 18.7% higher than the prior period's revenue of RM733.9 million mainly contributed by an increase in the Heavy Engineering segment's revenue.

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

Heavy Engineering

The segment reported higher revenue of RM609.7 million compared to RM430.1 million in the prior period mainly due to higher revenue from ongoing projects.

The segment registered a higher operating loss of RM68.3 million against RM50.4 million loss in the prior period mainly contributed by additional cost provision and associated higher unabsorbed overheads arising from the COVID-19 pandemic.

Marine

Revenue of RM261.5 million was RM42.3 million lower than the prior period revenue of RM303.8 million, mainly contributed by the lower dry docking services following the yard shutdown during the MCO and the Government's border restriction ruling imposed due to the COVID-19 pandemic.

The segment recorded an operating loss of RM30.3 million against an operating profit of RM3.2 million in the prior period in tandem with the lower revenue and higher unabsorbed overheads.

Share of results of joint ventures

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

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Quarter Ended	
	30 Sep 2020	30 Jun 2020
	RM '000	RM '000
Revenue		
Heavy Engineering	270,852	112,054
Marine	98,607	43,254
	<u>369,459</u>	<u>155,308</u>
Results		
Heavy Engineering	214	(69,772)
Marine	1,199	(30,023)
Others	1,034	(521)
Eliminations/Adjustments	73	78
Operating profit/(loss)	<u>2,520</u>	<u>(100,238)</u>
Impairment loss	-	(300,000)
Share of results of joint ventures	-	-
Profit/(Loss) before taxation	<u>2,520</u>	<u>(400,238)</u>

The Group's revenue of RM369.5 million was RM214.2 million higher than the preceding quarter's revenue of RM155.3 million mainly due to higher revenue from both Heavy Engineering and Marine segments. Preceding quarter's lower revenue was mainly affected by the yard suspension during the MCO and border restriction impacting Marine business.

The Group reported an operating profit of RM2.5 million compared to operating loss of RM100.2 million, mainly due to COVID-19 associated costs of RM90 million recognised in the preceding quarter.

B3. REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 Sep 2020 RM '000	As at 31 Dec 2019 RM '000	Variance %
Total assets	3,187,211	3,217,977	-1.0%
Total equity attributable to equity holders of the Company	1,979,998	2,372,268	-16.5%
Total liabilities	1,202,168	836,539	43.7%

The Group's total assets decreased by RM30.8 million or 1.0%, mainly due to the impairment loss of RM300.0 million on property, plant and equipment and right-of-use assets partially offset with higher trade and other receivables.

The decrease in total equity attributable to equity holders by RM392.3 million or 16.5% was due to loss recognised in the current period.

The increase in the Group's total liabilities by RM365.6 million or 43.7% was contributed by higher payables and higher borrowing from the additional disbursement of loan for Dry Dock No. 3.

B4. REVIEW OF CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative 9 Months Ended		
	30 Sep 2020 RM '000	30 Sep 2019 RM '000	Variance %
Net cash generated from operating activities	22,735	137,477	-83%
Net cash used in investing activities	(108,972)	(169,443)	36%
Net cash generated from financing activities	69,525	91,722	-24%
Net change in cash & cash equivalents	(16,712)	59,756	>100%

The Group's net cash generated from operating activities was lower by RM114.7 million compared to the prior period mainly due to lower collection from customers coupled with higher payment to vendors in the current period.

Net cash used in investing activities was lower by RM60.5 million contributed by lower capital spending in the current period as the construction of the new Dry Dock No. 3 is nearing completion.

Net cash generated from financing activities was lower by RM22.2 million mainly due to lower term loan drawdown in the current period.

B5. CURRENT YEAR PROSPECTS

Uncertainty will continue to shroud the oil market for the rest of the year. The rise of new COVID-19 cases worldwide has renewed concerns on mobility restrictions, posing a threat to the recovering oil demand. Tighter border control is imminent to prevent upswing of cases which could disrupt business operations and supply chain again. With these lingering effects from the pandemic, the Group has seen significant cuts to oil and gas capital spending and deferrals of final investment decisions by oil majors and expects these to continue, thus limiting the Group's ability to secure new orders in the interim.

LNG trade and demand have been direct major contributors to the Group's marine repair activities. Amidst the COVID-19 pandemic situation, LNG demand has held up relatively better compared to oil demand and LNG trade is expected to increase during the upcoming winter to meet bigger demand from Far East consumers. The increase in LNG trade would further reduce the already limited number of dry docking works exacerbated by the pandemic and would cause stiffer competition. Consequently, the Group anticipates marine business to continue to be challenging for the remainder of the year.

Given the prolonged oil market downturn prognosis, the Group remains vigilant in pursuing business opportunities in other segments to replenish its order book. The Group continues to focus on cost management to optimise its operating cost and to prioritise safe execution and delivery of ongoing projects while the market is recovering.

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 2020 RM '000	30 Sep 2019 RM '000
Taxation for the period comprises the following:		
Income tax charge	301	901
- current period	<u>301</u>	<u>901</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 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 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, was re-scheduled to, and took place on 16 June 2020 in view of the extended MCO, as announced by the Government. Thereafter, parties were directed to file submissions including on costs which were duly complied. The Arbitral Tribunal declared the close of proceedings on 10 July 2020. On 8 October 2020, the Arbitral Tribunal informed parties that the draft Final Award has been submitted to the Asian International Arbitration Centre (Malaysia) ("AIAC") for technical review, and AIAC confirmed receipt of the same on the same day.

The Group has and will continue to rigorously defend the claims made by EAT.

In parallel to the Arbitration, MMHE also referred part of its claim in the Arbitration to Adjudication proceedings 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 ("1st Setting Aside and/or Stay Application"). In turn, MMHE applied to register and enforce the Adjudication Decision ("1st Enforcement Application"). The High Court, on 1 June 2020, dismissed EAT's 1st Setting Aside Application and allowed MMHE's 1st Enforcement Application with costs payable by EAT to MMHE. Following this, the High Court heard the 1st Stay Application on 13 and 24 July 2020 and the matter is fixed for decision on 27 October 2020.

On 2 July 2020, EAT served on MMHE sealed Notices of Appeal to the Court of Appeal dated 26 June 2020, seeking to appeal against the High Court's decision in dismissing the 1st Setting Aside Application and allowing MMHE's 1st Enforcement Application. EAT's appeal is fixed for Hearing on 6 July 2021.

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 ("2nd 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 2nd Enforcement Application and 2nd Setting Aside and/or Stay Application.

In relation to the 2nd Setting Aside and/or Stay Application, on 25 February 2020, EAT filed an application to consolidate the 1st Setting Aside and/or Stay Application 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 ("1st Transfer Application").

On or about 10 June 2020, EAT subsequently informed the Court that it intends to withdraw the 1st Transfer Application and will instead seek to transfer the 2nd Setting Aside and/or Stay Application from Kuala Lumpur Construction Court No. 2 to the High Court of Johor Bahru in order for it to be heard together with the 2nd Enforcement Application ("2nd Transfer Application").

On 23 July 2020, the 2nd Setting Aside and/or Stay Application was transferred to the Johor Bahru High Court and the 1st Transfer Application and 2nd Transfer Application were withdrawn with no order as to costs.

The 2nd Enforcement Application and the 2nd Setting Aside and/or Stay Application are all fixed for Hearing on 28 October 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 have filed their respective witness statements of facts on 14 September 2020 and continue to attend to procedural directions under the Procedural Protocol No. 2 (Re-Amended) dated 15 September 2020.

The Hearing is scheduled to take place between 17-20 and 30 November 2020, and 1 and 4 December 2020. In the event that the Hearing is not completed by 4 December 2020, the Hearing will continue on 14, 15 and 16 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 30 September 2020.

B10. DERIVATIVES

Details of the Group's derivative financial instruments outstanding as at 30 September 2020 are as follows:

	Contract/ Notional Amount as at 30 Sep 2020 (in RM '000)	Fair Value loss (in RM '000)
Forward foreign currency contracts	444,375	(5,582)

During the period, the Group recognised a net unrealised derivatives loss of RM4,022,000 in its equity, in relation to the fair value of the cash flow hedges.

B11. PROFIT/(LOSS) PER SHARE

	Quarter Ended		Cumulative 9 Months Ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
Basic profit/(loss) per share are computed as follows:				
Profit/loss for the period attributable to equity holders of the Company (RM '000)	2,644	(4,661)	(388,248)	(43,501)
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)	0.2	(0.3)	(24.3)	(2.7)

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