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 2020
The figures have not been audited.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	QUARTER ENDED		YEAR ENDED	
	31 DEC 2020	31 DEC 2019	31 DEC 2020	31 DEC 2019
	RM '000	RM '000	RM '000	RM '000
Revenue	695,544	275,637	1,566,750	1,009,541
Other operating income/(expense)	76	(3,470)	1,632	11,170
Operating (loss)/profit	(8,140)	1,638	(100,212)	(41,111)
Impairment loss	-	-	(300,000)	-
Finance cost	(911)	-	(911)	-
Share of results of joint ventures	(189)	1,348	(189)	1,348
(Loss)/profit before taxation	(9,240)	2,986	(401,312)	(39,763)
Taxation	326	6,445	25	5,544
(Loss)/profit after taxation	(8,914)	9,431	(401,287)	(34,219)
Other comprehensive (loss)/income:				
Fair value through other comprehensive income:				
Changes in fair value of hedging derivatives	(10,427)	(1,560)	(14,449)	(1,560)
Total comprehensive (loss)/income for the period/year	(19,341)	7,871	(415,736)	(35,779)
(Loss)/profit attributable to:				
Equity holders of the Company	(8,557)	9,277	(396,805)	(34,224)
Non-controlling interests	(357)	154	(4,482)	5
	(8,914)	9,431	(401,287)	(34,219)
Total comprehensive (loss)/income attributable to:				
Equity holders of the Company	(18,984)	7,717	(411,254)	(35,784)
Non-controlling interests	(357)	154	(4,482)	5
	(19,341)	7,871	(415,736)	(35,779)
(Loss)/profit per share attributable to equity holders of the Company:				
(i) Basic (sen)	(0.5)	0.6	(24.8)	(2.1)
(ii) Dilutive (sen)	(0.5)	0.6	(24.8)	(2.1)

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	31 DEC 2020 RM '000	31 DEC 2019 RM '000
Non-current assets		
Property, plant and equipment	1,578,515	1,704,460
Right-of-use assets	217,068	228,002
Investment in joint ventures	8,910	9,099
Deferred tax assets	93,293	93,293
	1,897,786	2,034,854
Current assets		
Inventories	4,871	4,356
Trade & other receivables	591,728	504,102
Tax recoverable	909	751
Cash and bank balances	651,054	673,914
	1,248,562	1,183,123
TOTAL ASSETS	**3,146,348**	**3,217,977**
Equity attributable to equity holders of the Company		
Share capital	1,618,263	1,618,263
Cash flow hedge reserve	(16,009)	(1,560)
Retained earnings	358,760	755,565
	1,961,014	2,372,268
Non-controlling interests	4,688	9,170
Total equity	1,965,702	2,381,438
Non-current liabilities		
Borrowing	227,599	178,871
Lease liabilities	6,854	8,600
	234,453	187,471
Current liabilities		
Trade & other payables	904,275	645,503
Borrowing	20,797	-
Lease liabilities	1,878	2,005
Derivatives	19,243	1,560
	946,193	649,068
Total liabilities	1,180,646	836,539
TOTAL EQUITY AND LIABILITIES	**3,146,348**	**3,217,977**

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

MHB
Malaysia Marine and Heavy Engineering Holdings Berhad

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	31 DEC 2020 RM '000	31 DEC 2019 RM '000
Loss before taxation	(401,312)	(39,763)
Adjustments for:		
Property, plant and equipment		
- depreciation	66,162	74,357
- write offs	55	108
- impairment loss	297,731	-
Right-of-use assets		
- amortisation	8,821	8,725
- impairment loss	2,269	-
Allowance for impairment loss on trade receivables	15,458	4,871
Interest income	(13,465)	(17,850)
Net unrealised loss on foreign exchange	1,468	6,585
Changes in fair value of hedging derivatives	3,234	-
Finance cost	911	-
Share of results of joint ventures	189	(1,348)
Operating (loss)/profit before working capital changes	(18,479)	35,685
Inventories	(515)	1,290
Trade and other receivables	(104,515)	133,091
Trade and other payables	259,281	(72,193)
Cash generated from operations	135,772	97,873
Tax paid	(133)	(628)
Tax refund	-	25,938
Net cash generated from operating activities	135,639	123,183
Purchase of property, plant and equipment	(230,403)	(178,380)
Purchase of land use rights	-	(14,300)
Interest received	13,465	17,850
Net cash used in investing activities	(216,938)	(174,830)
Drawdown on long term borrowings	69,525	130,517
Interest paid	(8,511)	(4,824)
Interest paid on lease liabilities	(545)	(517)
Payment of principal portion of lease liabilities	(2,030)	(1,159)
Net cash generated from financing activities	58,439	124,017
Net change in cash & cash equivalents	(22,860)	72,370
Cash & cash equivalents at the beginning of the year	661,732	589,362
Cash & cash equivalents at the end of the year	**638,872**	**661,732**
Cash at banks and in hand	61,601	85,359
IFSSC bank balance	302,219	567,526
Deposits with licensed banks	287,234	21,029
	651,054	673,914
Less: Cash pledged with the bank - restricted	(12,182)	(12,182)
	638,872	**661,732**

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	<-------------------------	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 2020						
At 1 January 2020	1,618,263	755,565	(1,560)	2,372,268	9,170	2,381,438
Total comprehensive loss	-	(396,805)	(14,449)	(411,254)	(4,482)	(415,736)
At 31 DECEMBER 2020	1,618,263	358,760	(16,009)	1,961,014	4,688	1,965,702
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 pronouncements	-	981	-	981	424	1,405
At 1 January 2019 (Restated)	1,618,263	789,789	-	2,408,052	165	2,408,217
Arising from increase in investment in subsidiary	-	-	-	-	9,000	9,000
Total comprehensive (loss)/income	-	(34,224)	(1,560)	(35,784)	5	(35,779)
At 31 DECEMBER 2019	1,618,263	755,565	(1,560)	2,372,268	9,170	2,381,438

NOTES TO THE UNAUDITED CONDENSED FINANCIAL REPORT

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 Berhad.

These unaudited condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 8 February 2021.

A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the year ended 31 December 2020 have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirement of Bursa Malaysia Berhad. The results for this interim financial statements are unaudited and should be read in conjunction with the Group's audited consolidated financial statements and the accompanying notes for the year ended 31 December 2019.

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to understand the changes in the financial position and performance of the Group since the financial year ended 31 December 2019.

The audited consolidated financial statements of the Group for the year ended 31 December 2019 are available upon request from the Group's registered office located at Level 31, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur. The functional currency of the Group is Ringgit Malaysia (RM).

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 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)
Amendment to MFRS 16: Leases (COVID-19-Related Rent Concessions)
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 audit opinion on the financial statements for the 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 unaudited condensed consolidated interim financial statements.

A7. CHANGES IN ESTIMATES

There were no material changes in estimates reported in the current financial year.

A8. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuance or repayment of debt and equity securities made by the Group during the year ended 31 December 2020.

A9. INTEREST BEARING LOANS AND BORROWINGS

The tenure of Group borrowings are as follows:

	31 Dec 2020 RM '000	31 Dec 2019 RM '000
Secured - Term Loan		
Current	20,797	-
Non-current	227,599	178,871
	248,396	178,871

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 year.

A10. DIVIDEND PAID

The company has not paid any dividends during the year ended 31 December 2020.

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	1,204,503	362,247	-	-	1,566,750
Results					
Operating (loss)/profit	(92,340)	(9,064)	1,206 **	(14) *	(100,212)
Impairment loss					(300,000)
Finance costs					(911)
Share of results of joint ventures					(189)
Loss before taxation					(401,312)

* Inter-segment transactions are eliminated on consolidation.
** Comprise mainly interest income.

A12. (LOSS)/PROFIT FOR THE PERIOD/YEAR

	Quarter Ended		Full Year Ended	
	31 Dec 2020 RM '000	**31 Dec 2019 RM '000**	**31 Dec 2020 RM '000**	**31 Dec 2019 RM '000**
(Loss)/profit for the period/year is arrived at after charging:				
Right-of-use assets				
- amortisation	1,671	3,190	8,821	8,725
- impairment loss	-	-	2,269	-
Net unrealised loss on foreign exchange	444	2,077	1,468	6,585
Changes in fair value of hedging derivatives	3,234	-	3,234	-
Finance cost	911	-	911	-
Property, plant and equipment				
- depreciation	16,566	15,632	66,162	74,357
- write offs	15	-	55	108
- impairment loss	-	-	297,731	-
Allowance for impairment loss on trade receivables	3,371	6,317	15,458	4,871
after (crediting):				
Net income from scrap disposal	(3,075)	(1,127)	(6,140)	(2,460)
Interest income	(3,791)	(6,686)	(13,465)	(17,850)
Rental income		-		
- land	(337)	(248)	(950)	(1,028)
- building	(137)	(225)	(698)	(727)
- equipments	(120)	(81)	(284)	(289)

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 year 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 as at 31 December 2020 comprise the following:

	31 Dec 2020 RM '000	**31 Dec 2019 RM '000**
Unsecured		
Bank guarantees extended to: -		
- Related companies	287,016	325,297
- Third parties	51,867	54,223
	338,883	379,520

A17. CAPITAL COMMITMENTS

	31 Dec 2020 RM '000	31 Dec 2019 RM '000
Approved and contracted for	33,373	143,674
Approved but not contracted for	34,712	41,824
	68,085	185,498

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 2020 RM '000	31 Dec 2019 RM '000	31 Dec 2020 RM '000	31 Dec 2019 RM '000	
Revenue					
Heavy Engineering	594,812	148,539	1,204,503	578,632	
Marine	100,732	127,098	362,247	430,909	
	695,544	275,637	1,566,750	1,009,541	
Results					
Heavy Engineering	(24,009)	(9,903)	(92,340)	(60,347)	
Marine	21,211	5,218	(9,064)	8,445	
Others	(5,093)	5,846	1,206	10,495	
Eliminations/Adjustments	(249)	477	(14)	296	*#
Operating (loss)/profit	(8,140)	1,638	(100,212)	(41,111)	
Impairment loss	-	-	(300,000)	-	
Finance cost	(911)	-	(911)	-	
Share of results of joint ventures	(189)	1,348	(189)	1,348	
(Loss)/Profit before taxation	(9,240)	2,986	(401,312)	(39,763)	

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

# Inter-segment operating (loss)/profit elimination				
Heavy Engineering	985	(386)	850	(239)
Marine	(736)	(91)	(836)	(57)

Performance of current quarter against the quarter ended 31 December 2019 (corresponding quarter).

The Group recorded revenue of RM695.5 million in the current quarter, increased by RM419.9 million from revenue of RM275.6 million in the corresponding quarter mainly due to higher revenue from the Heavy Engineering segment.

At the operating profit level, the Group recorded loss of RM8.1 million compared to profit of RM1.6 million in the corresponding quarter mainly due to higher operating losses in the Heavy Engineering segment partially offset by improved performance in the Marine segment.

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

Heavy Engineering

Revenue of RM594.8 million increased by RM446.3 million from RM148.5 million reported in the corresponding quarter, mainly due to increased activities in ongoing projects.

The segment has recorded an operating loss of RM24.0 million in the current quarter compared to an operating loss of RM9.9 million in the corresponding quarter mainly due to lower contribution from post-sailaway projects.

B1. REVIEW OF PERFORMANCE (CONT'D.)

Marine

Marine segment posted RM100.7 million revenue compared to RM127.1 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.

Notwithstanding the decrease in revenue, the segment recorded an operating profit of RM21.2 million compared to RM5.2 million in the corresponding quarter mainly due to higher contribution from LNG dry-docking repair jobs.

Share of results of joint ventures

The Group recognised loss of RM0.2 million in the current quarter mainly contributed by the final settlement of projects in a joint venture.

Performance of current year against financial year ended 31 December 2019 (prior year)

Group revenue of RM1,566.8 million was RM557.2 million higher than the prior year's revenue of RM1,009.5 million mainly contributed by an increase in the Heavy Engineering segment's revenue.

The Group posted an operating loss of RM100.2 million against an operating loss of RM41.1 million in the prior year mainly due to provision made for COVID-19 impact and the associated higher unabsorbed overheads due to lower activities resulting from yard closure and border restriction amounting to RM189 million. The Group is currently pursuing recovery of the COVID-19 cost impact from clients.

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

Heavy Engineering

The segment reported higher revenue of RM1,204.5 million compared to RM578.6 million in the prior year mainly due to higher revenue from ongoing projects.

The segment registered a higher operating loss of RM92.3 million against RM60.3 million loss in the prior year mainly contributed by additional cost provision and associated higher unabsorbed overheads arising from the COVID-19 pandemic.

Marine

Revenue of RM362.2 million was RM68.7 million lower than the prior year revenue of RM430.9 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 RM9.1 million against an operating profit of RM8.4 million in the prior year in tandem with the lower revenue and higher unabsorbed overheads.

Share of results of joint ventures

The Group recognised loss of RM0.2 million for the year mainly contributed by the final settlement of projects in a joint venture.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Quarter Ended	
	31 Dec 2020	**30 Sep 2020**
	RM '000	**RM '000**
Revenue		
Heavy Engineering	594,812	270,852
Marine	100,732	98,607
	695,544	369,459
Results		
Heavy Engineering	(24,009)	214
Marine	21,211	1,199
Others	(5,093)	1,034
Eliminations/Adjustments	(249)	73
Operating (loss)/profit	(8,140)	2,520
Finance cost	(911)	-
Share of results of joint ventures	(189)	-
(Loss)/Profit before taxation	(9,240)	2,520

The Group's revenue of RM695.5 million was RM326.0 million higher than the preceding quarter's revenue of RM369.5 million mainly due to higher revenue from both Heavy Engineering and Marine segments.

The Group reported an operating loss of RM8.1 million compared to operating profit of RM2.5 million mainly due to the provision made for COVID-19 impact.

B3. REVIEW OF UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 Dec 2020 RM '000	**As at 31 Dec 2019 RM '000**	**Variance %**
Total assets	3,146,348	3,217,977	-2.2%
Total equity attributable to equity holders of the Company	1,961,014	2,372,268	-17.3%
Total liabilities	1,180,646	836,539	-41.1%

The Group's total assets decreased by RM71.6 million or 2.2%, 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 RM411.3 million or 17.3% was due to total comprehensive loss recognised in the current year.

The increase in the Group's total liabilities by RM344.1 million or 41.1% was contributed by higher trade and other payables and higher borrowings from the additional disbursement of loan for Dry Dock No. 3.

B4. REVIEW OF UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Full Year Ended		
	31 Dec 2020	**31 Dec 2019**	**Variance**
	RM '000	**RM '000**	**%**
Net cash generated from operating activities	135,639	123,183	10%
Net cash used in investing activities	(216,938)	(174,830)	-24%
Net cash generated from financing activities	58,439	124,017	-53%
Net change in cash & cash equivalents	(22,860)	72,370	>-100%

The Group's net cash generated from operating activities was higher by 10% compared to the prior year mainly due to higher collection from customers in the current year.

Net cash used in investing activities was higher by 24% contributed by higher capital spending in the current year in line with the increase in construction activities of the new Dry Dock No. 3 which was completed in the current quarter.

Net cash generated from financing activities was lower by 53% mainly due to lower term loan drawdown in the current year.

B5. CURRENT YEAR PROSPECTS

The global oil market has entered the infancy stage of recovery. OPEC+ played a major role in stabilising the market by relaxing production quotas in tandem with global oil demand throughout 2020. However, a swifter rebound looks to be at risk in view of renewed lockdowns in several major oil importing countries to curtail the spread of the new COVID-19 strain. As such, the Group remains cautious on the prospects of order book replenishment in the near term in view of uncertainties surrounding the timing of capital spending by oil majors.

LNG demand and trade have been on the rise to meet higher LNG demand from Far East importers due to the prolonged winter. Many LNG vessels are being mobilised for winter shipments. Shipowners are inclined to opt for dry docking in countries with more relaxed border restriction regulations. These factors further increase scarcity in dry docking opportunities and create stiff competition among players. Once the industry recovers, the Group's new fully operational Dry Dock No. 3 would provide the advantage of offering more flexible dry docking windows to shipowners. Until then, the Group expects the marine business to remain challenging.

The sharp spike of COVID-19 cases nationwide has forced the Malaysian Government to re-implement the Movement Control Order (MCO) from 13 January to 18 February 2021 to all states except Sarawak to flatten the curve. The Group's businesses are recognised as 'essential services', which allows the yard to continue to operate, albeit at reduced capacity in compliance with the Malaysian Government's Standard Operating Procedures (SOPs).

The Group remains resolute and diligent in pursuing business opportunities in other segments and new regions to replenish its order book while the oil market retightens. Additionally, the Group continues to emphasize on focused execution and safe delivery of ongoing projects as well as stringent cost management coupled with fiscal discipline to optimise operating costs amidst an ever-challenging and competitive industry environment.

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 2020 RM '000	31 Dec 2019 RM '000
Taxation for the year comprises the following:		
Income tax charge/(credit)		
- current year	-	538
- prior year	(25)	(6,082)
	(25)	(5,544)

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 had 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.

MMHE was informed by its solicitors that they received the Final Award dated 10 November 2020 (Final Award) on 11 November 2020. Pursuant to the Final Award, the Arbitral Tribunal, amongst others, ordered EAT to pay MMHE a total of US$ 29,520,172.65 and costs in the sum of RM4,686,398.16 (together with interest at 5% per annum from date of Award to the date of full payment). Under the Final Award, MMHE is not liable to pay any sum to EAT.

On 4 December 2020, EAT applied to the Tribunal to make a determination on certain defences in respect of specific AWOs/WCRs which the Tribunal had allegedly omitted to address in the Final Award and to make corrections to the Final Award pursuant to Section 35 of the Arbitration Act 2005 (Correction Application). The Arbitral Tribunal invited submissions from the parties in respect of the Application and on 12 January 2021, the Tribunal dismissed the Respondent's Application.

On 14 December 2020, EAT also applied to Court to refer questions of law arising from the Final Award pursuant to Section 42 of the Arbitration Act (Reference Application). A case management was held on 28 December 2020 wherein the parties were given directions in respect of filing of affidavits and the matter is fixed for further case management on 26 January 2021.

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. The Court on 27 October 2020 dismissed EAT's application to stay the 1st Adjudication Decision CIPAA Award with costs to MMHE.

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. No appeal has been filed by EAT in respect of the 1st Stay Application.

In view that MMHE was successful in respect of 1st Setting Aside and/or Stay and the 1st Enforcement Application, MMHE, on 2 November 2020, presented a Winding Up Petition against EAT.

EAT, in turn, filed an Affidavit to oppose the Winding Up Petition and also filed an application to strike out the Winding Up Petition. Both the Winding Up Petition as well as EAT's striking out application will be heard on 3 March 2021.

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

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

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. The 2nd Setting Aside and/or Stay Application was subsequently transferred by EAT to the High Court of Malaya at Johor Bharu to be heard together with the 2nd Enforcement Application. The Enforcement Application and the 2nd Setting Aside Application and/or Stay Application are fixed for Hearing on 24 February 2021.

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.

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 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 Arbitration then commenced with evidentiary hearing from 1 December 2020 and ended on 19 January 2021.

The Tribunal directed KPOC and MMHE to file and exchange written submissions on or before 2 March 2021 and then to file and exchange reply submissions on or before 2 April 2021. Both are to file and exchange their rebuttal submissions purely responsive on costs on or before 9 April 2021. Tribunal will then hear oral submissions on 14 April 2021.

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 year ended 31 December 2020.

B10. DERIVATIVES

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

	Contract/ Notional Amount as at 31 Dec 2020 (in RM '000)	Fair Value loss (in RM '000)
Forward foreign currency contracts	597,246	19,243

During the year, the Group recognised a net unrealised derivatives loss of RM14,449,000 in its equity and RM3,234,000 in profit or loss for the effective and ineffective portion respectively, in relation to the fair value of the cash flow hedges.

B11. (LOSS)/PROFIT PER SHARE

	Quarter Ended		Full Year Ended	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Basic (loss)/profit per share are computed as follows:				
Loss/Profit for the period/year attributable to equity holders of the Company (RM '000)	(8,557)	9,277	(396,805)	(34,224)
Weighted average number of ordinary shares in issue (thousand)	1,600,000	1,600,000	1,600,000	1,600,000
Basic (loss)/profit per share (sen)	**(0.5)**	**0.6**	**(24.8)**	**(2.1)**

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

B12. IMPACT OF COVID-19 PANDEMIC AND COLLAPSE IN OIL PRICES

As the COVID-19 pandemic continues to ravage every corner of the world, the Group’s business operations are not spared from the impact of the coronavirus. Despite the resumption of yard operations in Pasir Gudang after less than a month suspension during the first MCO in end March until late April 2020, both business segments, Heavy Engineering and Marine, remain affected by the weakened demand for oil, gas and energy, supply chain disruptions, additional costs of working under the "new normal" and the prolonged border restrictions brought about by the pandemic.

For Heavy Engineering segment, although oil prices have somewhat stabilised in second half of 2020, the recovery has yet to reach pre-pandemic levels. The Group also expects the pandemic to persist throughout 2021 further prolonging the supply and demand imbalance. Most oil majors have exercised spending cutbacks and deferred their final investment decisions. As a consequence, the segment did not record any major new order intake for 2020.

The Marine segment is similarly affected by the weakened demand for oil, gas and energy from the pandemic which resulted in a decline in global shipping activities. Additionally, the Group’s marine repair activities were further affected by the continued border restrictions imposed by the Malaysian Government, causing significant loss of business opportunities as most international vessels could not absorb the cost of the 14-day quarantine rules for foreign specialists to enter the country. This has largely contributed to the segment’s revenue decreasing by about 16% compared to prior year, which has also led to the segment recording an operating loss for 2020 compared to prior year's profit of RM8.4 million.

Impact on the Group’s cash flows, liquidity, financial position and financial performance

The largest impact of COVID-19 to the Group’s financial performance is the impairment loss on the property, plant and equipment and right-of-use assets of RM300 million recognised during the year as a result of the economic conditions caused by the spread of COVID-19 pandemic, in particular, the impact to the oil and gas industry.

Specific impact to both segments is further described as below: -

Heavy Engineering segment
- The brief shutdown of yard operations and the SOPs under the new normal have resulted in extended duration to the segment’s on-going projects which in turn caused additional costs to be incurred on each of the projects. Although there could be potential recovery from clients to mitigate the impact, it is only expected to come at the earliest, within the first half of 2021.
- Weakened oil demand has resulted in several deferments of CAPEX spending by oil majors. This had impacted the order intake and the revenue stream for the segment as no major new award was secured during the year. Lower revenue had caused the segment to suffer further losses as a result of unabsorbed overheads.

B12. IMPACT OF COVID-19 PANDEMIC AND COLLAPSE IN OIL PRICES (CONT'D)

Impact on the Group’s cash flows, liquidity, financial position and financial performance (cont'd)

Marine segment

- Apart from the impact of yard shutdown during the MCO period, the segment continued to be affected by the prolonged border control measures, restricting the arrival of required specialists for the repair jobs. A significant number of bids went to the neighbouring country’s yards as the quarantine period imposed by the Government to stem the COVID-19 spread did not bode well with the international clients. Consequently, revenue for the segment was lower than expected and this resulted in a significant margin erosion as more overheads were unable to be absorbed.
- A few existing clients have been badly affected by the pandemic, causing them to be financially poorer and cash-strapped and in turn resulted in them defaulting on payment obligations. The segment provided for doubtful debts on these delinquent accounts; further eroding its current year profit.

Apart from the impairment loss, the Group suffered RM189 million of direct and indirect costs associated to COVID-19 which represent among others, extended project duration costs, unabsorbed overheads due to loss of revenue and compliance costs to the COVID-19 SOPs.

Despite the above adverse impact on the financial performance, the Group’s liquidity and cash flow position remains strong throughout the year mainly due to higher collection from the Heavy Engineering segment. Robust effort in project progress billings, collections and other cash preservation measures helped to sustain adequate working capital to stay resilient during the difficult year.

The Group’s financial position at the end of the year remains healthy with cash and bank balance of RM651 million on the back of RM1.97 billion net assets position coupled with low gearing from total borrowings of RM248 million.

Impact on the Group’s business and earning prospects

The fresh lockdowns worldwide from the new COVID-19 strain and the new waves are expected to further cloud the oil market recovery outlook. This is set to prolong the uncertainties on the timing of capital spending by oil majors, affecting the Heavy Engineering segment future order intake.

LNG trade and demand are expected to rise in view of the prolonged winter in the Far East. Notwithstanding the increase in LNG shipping activities, shipowners are expected to opt for dry-docking in the countries with more relaxed border restriction regulations. Thus, the Marine segment overall recovery is highly dependent on the timing of nationwide and worldwide COVID-19 vaccines roll-out and its effectiveness which could ultimately ease the border restrictions.

As the COVID-19 pandemic continues to imperil the global economy and the recovery of the oil market, the Group remains resolute to pursue business opportunities in new segments as well as new regions to replenish its order book. Additionally, the Group will continue to emphasize on safe execution and delivery of ongoing projects as well as cost optimization to ensure resilience and sustainability.

COVID-19 health and safety measures

The Group continues to operate under the required COVID-19 SOPs issued by the Ministry of Health Malaysia which include physical distancing, workplace segregation, staggered work hours, flexible working arrangements such as working from home, virtual meetings as well as temperature screening and workplace sanitization in its effort to mitigate the risks of the spread of the COVID-19 infection.

Adequate policies and procedures are in place to address the health and safety measures against COVID-19 pandemic, including to swiftly and effectively address situations where an employee, a subcontractor or a client contracts the virus or is suspected to contract the virus. This includes collecting vital information to facilitate contact tracing for Persons under Investigation ('PUI') or a suspected case at the workplace.