

**QUARTERLY REPORT**

This is a quarterly report on consolidated results for the period ended 30 June 2021  
 The figures have not been audited.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2021**

	QUARTER ENDED		CUMULATIVE 6 MONTHS ENDED	
	30 JUN 2021	30 JUN 2020	30 JUN 2021	30 JUN 2020
	RM '000	RM '000	RM '000	RM '000
Revenue	302,448	155,308	646,021	501,747
Other operating income/(loss)	2,675	(9,596)	7,685	(1,524)
Operating loss	(26,290)	(100,238)	(128,163)	(94,592)
Impairment loss	(7,864)	(300,000)	(7,864)	(300,000)
Finance cost	(3,110)	-	(5,813)	-
Share of results of joint ventures	-	-	-	-
Loss before taxation	(37,264)	(400,238)	(141,840)	(394,592)
Taxation	-	(101)	-	(201)
Loss after taxation	(37,264)	(400,339)	(141,840)	(394,793)
<b>Other comprehensive (loss)/income:</b>				
Fair value through other comprehensive income:				
Changes in fair value of hedging derivatives	(2,570)	(5,346)	17,408	3,965
<b>Total comprehensive loss for the period</b>	<b>(39,834)</b>	<b>(405,685)</b>	<b>(124,432)</b>	<b>(390,828)</b>
<b>Loss attributable to:</b>				
Equity holders of the Company	(34,381)	(397,023)	(138,733)	(390,892)
Non-controlling interests	(2,883)	(3,316)	(3,107)	(3,901)
	<b>(37,264)</b>	<b>(400,339)</b>	<b>(141,840)</b>	<b>(394,793)</b>
<b>Total comprehensive loss attributable to:</b>				
Equity holders of the Company	(36,951)	(402,369)	(121,325)	(386,927)
Non-controlling interests	(2,883)	(3,316)	(3,107)	(3,901)
	<b>(39,834)</b>	<b>(405,685)</b>	<b>(124,432)</b>	<b>(390,828)</b>
Loss per share attributable to equity holders of the Company:				
(i) Basic (sen)	(2.1)	(24.8)	(8.7)	(24.4)
(ii) Dilutive (sen)	(2.1)	(24.8)	(8.7)	(24.4)

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**MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD**  
(Company No.: 198901001515 (178821-X))



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

	<b>30 JUN 2021</b>	<b>31 DEC 2020</b>
	<b>RM '000</b>	<b>RM '000</b>
<b>Non-current assets</b>		
Property, plant and equipment	1,557,708	1,579,177
Right-of-use assets	212,016	216,406
Investment in joint ventures	8,907	8,907
Deferred tax assets	93,293	93,293
Trade & other receivables	38,948	-
	<u>1,910,872</u>	<u>1,897,783</u>
<b>Current assets</b>		
Inventories	4,904	4,877
Trade & other receivables	529,351	591,728
Derivatives	943	-
Tax recoverable	855	909
Cash and bank balances	624,974	651,054
	<u>1,161,027</u>	<u>1,248,568</u>
<b>TOTAL ASSETS</b>	<b><u>3,071,899</u></b>	<b><u>3,146,351</u></b>
<b>Equity attributable to equity holders of the Company</b>		
Share capital	1,618,263	1,618,263
Cash flow hedge reserve	1,399	(16,009)
Retained earnings	220,028	358,761
	<u>1,839,690</u>	<u>1,961,015</u>
Non-controlling interests	1,581	4,688
<b>Total equity</b>	<b><u>1,841,271</u></b>	<b><u>1,965,703</u></b>
<b>Non-current liabilities</b>		
Borrowing	290,928	228,537
Derivatives	2,152	7,573
Lease liabilities	5,671	6,854
	<u>298,751</u>	<u>242,964</u>
<b>Current liabilities</b>		
Trade & other payables	901,350	904,276
Borrowing	28,502	19,859
Lease liabilities	2,025	1,878
Derivatives	-	11,671
	<u>931,877</u>	<u>937,684</u>
<b>Total liabilities</b>	<b><u>1,230,628</u></b>	<b><u>1,180,648</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>3,071,899</u></b>	<b><u>3,146,351</u></b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2021**

	<b>CUMULATIVE 6 MONTHS ENDED</b>	
	<b>30 JUN 2021</b>	<b>30 JUN 2020</b>
	<b>RM '000</b>	<b>RM '000</b>
Loss before taxation	(141,840)	(394,592)
Adjustments for:		
Property, plant and equipment		
- depreciation	36,408	36,012
- write offs	-	40
- impairment loss	7,864	297,698
Right-of-use assets		
- amortisation	4,390	4,771
- impairment loss	-	2,302
Allowance for impairment loss on trade receivables	241	12,735
Interest income	(4,851)	(7,475)
Net unrealised gain on foreign exchange	(2,444)	(232)
Changes in fair value of hedging derivatives	(628)	-
Finance cost	5,813	-
Operating loss before working capital changes	<u>(95,047)</u>	<u>(48,741)</u>
Inventories	(27)	(56)
Trade and other receivables	29,329	(2,168)
Trade and other payables	35,602	64,718
Cash (used in)/generated from operations	<u>(30,143)</u>	<u>13,753</u>
Tax paid	-	(201)
Tax refund	54	-
Net cash (used in)/generated from operating activities	<u>(30,089)</u>	<u>13,552</u>
Purchase of property, plant and equipment	(65,027)	(83,454)
Interest received	4,851	7,475
Net cash used in investing activities	<u>(60,176)</u>	<u>(75,979)</u>
Drawdown on long term borrowings	83,506	29,736
Repayment on long term borrowings	(12,472)	-
Interest paid	(5,573)	-
Interest paid on lease liabilities	(240)	-
Payment of principal portion of lease liabilities	(1,036)	-
Net cash generated from financing activities	<u>64,185</u>	<u>29,736</u>
Net change in cash & cash equivalents	(26,080)	(32,691)
Cash & cash equivalents at the beginning of the year	638,872	661,732
<b>Cash &amp; cash equivalents at the end of the period</b>	<b><u>612,792</u></b>	<b><u>629,041</u></b>
Cash at banks and in hand	96,056	85,200
IFSSC bank balance	380,584	450,328
Deposits with licensed banks	148,334	105,695
	<u>624,974</u>	<u>641,223</u>
Less: Cash pledged with the bank - restricted	(12,182)	(12,182)
	<b><u>612,792</u></b>	<b><u>629,041</u></b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2021**

	<-----Attributable to equity----->					Total Equity RM '000
	Share Capital RM '000	Distributable Retained Earnings RM '000	Fair Value through OCI Reserve RM '000	Total	Non-controlling Interests RM '000	
<b>6 MONTHS ENDED 30 JUNE 2021</b>						
<b>At 1 January 2021</b>	1,618,263	358,761	(16,009)	1,961,015	4,688	1,965,703
Total comprehensive (loss)/income	-	(138,733)	17,408	(121,325)	(3,107)	(124,432)
<b>At 30 JUNE 2021</b>	<u>1,618,263</u>	<u>220,028</u>	<u>1,399</u>	<u>1,839,690</u>	<u>1,581</u>	<u>1,841,271</u>
<b>6 MONTHS ENDED 30 JUNE 2020</b>						
<b>At 1 January 2020</b>	1,618,263	755,565	(1,560)	2,372,268	9,170	2,381,438
Total comprehensive (loss)/income	-	(390,892)	3,965	(386,927)	(3,901)	(390,828)
<b>At 30 JUNE 2020</b>	<u>1,618,263</u>	<u>364,673</u>	<u>2,405</u>	<u>1,985,341</u>	<u>5,269</u>	<u>1,990,610</u>

## 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 29 July 2021.

### A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the period ended 30 June 2021 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 2020.

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 2020.

The audited consolidated financial statements of the Group for the year ended 31 December 2020 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 2021 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 2020.

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 2021

Amendments to MFRS 9: Financial Instruments (Interest Rate Benchmark Reform - Phase 2)  
Amendments to MFRS 139: Financial Instruments :Recognition and measurement (Interest Rate Benchmark Reform - Phase 2)  
Amendments to MFRS 7: Financial Instruments: Disclosures (Interest Rate Benchmark Reform - Phase 2)  
Amendments to MFRS 4: Insurance contract (Interest Rate Benchmark Reform - Phase 2)  
Amendments to MFRS 16: Leases (Interest Rate Benchmark Reform - Phase 2)

#### Effective for annual periods beginning on or after 1 April 2021.

Amendment to MFRS 16 *Leases (COVID-19-Related Rent Concessions beyond 30 June 2021)*

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 2020.

### 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 current period other than as disclosed in the condensed consolidated interim financial statements.

**A7. CHANGES IN ESTIMATES**

There were no material changes in estimates reported in the current period 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 made by the Group during the period ended 30 June 2021.

**A9. INTEREST BEARING LOANS AND BORROWINGS**

The tenure of Group borrowings are as follows:

	<b>30 Jun 2021</b>	<b>31 Dec 2020</b>
	<b>RM '000</b>	<b>RM '000</b>
Secured - Term Loan		
Current	28,502	19,859
Non-current	290,928	228,537
	<u>319,430</u>	<u>248,396</u>

The Group made a RM83.5 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 Jun 2021.

**A11. SEGMENT REPORT**

Segmental analysis for the current financial period is as follows:

	<b>Heavy Engineering</b>	<b>Marine</b>	<b>Others</b>	<b>Eliminations</b>	<b>Total</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b>REVENUE AND RESULTS</b>					
<b>Revenue</b>					
External	<u>532,950</u>	<u>113,071</u>	<u>-</u>	<u>-</u>	<u>646,021</u>
<b>Results</b>					
Operating (loss)/profit	<u>(105,557)</u>	<u>(22,603)</u>	<u>(16)</u>	<u>13</u> *	(128,163)
Impairment loss					(7,864)
Finance costs					(5,813)
Share of results of joint ventures					-
<b>Loss before taxation</b>					<u>(141,840)</u>

\* Inter-segment transactions are eliminated on consolidation.

**A12. LOSS FOR THE PERIOD**

	Quarter Ended		Cumulative 6 Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM '000	RM '000	RM '000	RM '000
<b>Loss for the period is arrived at after charging:</b>				
Right-of-use assets				
- amortisation	2,449	2,385	4,390	4,771
- impairment loss	-	2,302	-	2,302
Net unrealised loss on foreign exchange	-	3,888	-	-
Finance cost	3,110	-	5,813	-
Property, plant and equipment				
- depreciation	18,274	17,814	36,408	36,012
- write offs	-	40	-	40
- impairment loss	7,864	297,698	7,864	297,698
Allowance for impairment loss on trade receivables	1,175	11,799	241	12,735
<b>after (crediting):</b>				
Net income from scrap disposal	(1,347)	(438)	(2,215)	(1,036)
Interest income	(2,299)	(3,702)	(4,851)	(7,475)
Changes in fair value of hedging derivatives	(418)	-	(628)	-
Net unrealised gain on foreign exchange	(690)	-	(2,444)	(232)
Rental income				
- land	(141)	(189)	(469)	(397)
- building	(17)	(80)	(247)	(199)
- equipments	(37)	-	(126)	(71)

**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 2020.

**A14. SUBSEQUENT MATERIAL EVENTS**

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

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

There were no material changes in the composition of the Group.

**A16. CONTINGENT LIABILITIES**

Contingent liabilities of the Group as at 30 June 2021 comprise the following:

	30 Jun 2021	31 Dec 2020
	RM '000	RM '000
<b>Unsecured</b>		
Bank guarantees extended to: -		
- Related companies	335,296	287,016
- Third parties	131,788	51,977
	<u>467,084</u>	<u>338,993</u>

**A17. CAPITAL COMMITMENTS**

	30 Jun 2021 RM '000	31 Dec 2020 RM '000
Approved and contracted for	56,132	11,215
Approved but not contracted for	57,735	34,712
	<u>113,867</u>	<u>45,927</u>

The outstanding capital commitments relate to the infrastructure upgrading works and other investment projects.

**B1. REVIEW OF PERFORMANCE**

	Quarter Ended		Cumulative 6 Months Ended	
	30 Jun 2021 RM '000	30 Jun 2020 RM '000	30 Jun 2021 RM '000	30 Jun 2020 RM '000
<b>Revenue</b>				
Heavy Engineering	228,796	112,054	532,950	338,839
Marine	73,652	43,254	113,071	162,908
	<u>302,448</u>	<u>155,308</u>	<u>646,021</u>	<u>501,747</u>
<b>Results</b>				
Heavy Engineering	(20,423)	(69,772)	(105,557)	(68,545)
Marine	(4,925)	(30,023)	(22,603)	(31,474)
Others	(964)	(521)	(16)	5,265
Eliminations/Adjustments	22	78	13	162
<b>Operating loss</b>	<u>(26,290)</u>	<u>(100,238)</u>	<u>(128,163)</u>	<u>(94,592)</u>
Impairment loss	(7,864)	(300,000)	(7,864)	(300,000)
Finance cost	(3,110)	-	(5,813)	-
Share of results of joint ventures	-	-	-	-
<b>Loss before taxation</b>	<u>(37,264)</u>	<u>(400,238)</u>	<u>(141,840)</u>	<u>(394,592)</u>

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

# Inter-segment operating loss elimination

Heavy Engineering	(12)	(45)	(7)	(93)
Marine	(10)	(33)	(6)	(69)

**Performance of current quarter against the quarter ended 30 June 2020 (corresponding quarter).**

The Group posted a revenue of RM302.4 million in the current quarter, higher by RM147.1 million from a revenue of RM155.3 million in the corresponding quarter mainly due to higher revenue from both segments.

At the operating profit level, the Group recorded lower loss of RM26.3 million compared to a loss of RM100.2 million in the corresponding quarter. The significantly higher loss in the corresponding quarter was mainly due to the impact of the yard shutdown during the initial MCO 1.0 imposed by the Government.

The Group's loss before tax decreased to RM37.3 million against RM400.2 million in the corresponding quarter mainly due to lower impairment loss amounting to RM7.9 million recognised in the current quarter compared to RM300.0 million recognised in the corresponding quarter. The impairment loss recognised in the current quarter was attributable to the prolonged downturn in the offshore support vessel market due to the COVID-19 pandemic.



**B1. REVIEW OF PERFORMANCE (CONT'D.)**

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

***Heavy Engineering***

Heavy Engineering segment doubled its revenue to RM228.8 million from RM112.1 million reported in the corresponding quarter, mainly due to increased activities in the yard as the corresponding quarter's activities were affected by the yard shutdown during the MCO 1.0.

The segment's operating loss of RM20.4 million in the current quarter shrank by RM49.6 million due to the revenue increase, compounded with the corresponding quarter recording additional cost provisions associated with the COVID-19 pandemic.

***Marine***

Marine segment recorded a significant increase in revenue of RM73.7 million compared to RM43.4 million in the corresponding quarter mainly due to higher revenue from dry docking services on LNG carriers in the current quarter. The lower revenue in the corresponding quarter was attributable to the yard shutdown during the MCO 1.0 and the global lockdown measures.

In tandem with the increased revenue, the segment recorded lower operating loss of RM4.9 million compared to RM30.0 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.

**Performance of current period against financial period ended 30 June 2020 (prior period)**

Group revenue of RM646.0 million was RM144.3 million higher than the prior period revenue of RM501.7 million mainly contributed by the Heavy Engineering segment partially offset with lower revenue from Marine segment.

The Group posted a higher operating loss of RM128.2 million against an operating loss of RM94.6 million in the prior period mainly due to additional cost provisions recognised for an on-going project in the Heavy Engineering segment.

The Group's loss before tax decreased to RM141.8 million against RM394.6 million in the corresponding period mainly due to lower impairment loss of RM7.9 million recognised in the current period compared to RM300.0 million recognised in the prior period. The impairment loss in the current period was attributable to the prolonged downturn in the offshore support vessel market due to the COVID-19 pandemic.

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

***Heavy Engineering***

The segment reported higher revenue of RM533.0 million compared to RM338.8 million in the prior period mainly due to higher revenue from ongoing projects as well as prior period was impacted by the yard shutdown during the MCO 1.0.

Despite higher revenue, the segment registered a higher operating loss of RM105.6 million against RM68.5 million loss in the prior period mainly contributed by additional cost provisions recognised for an on-going project during the period.

***Marine***

Revenue of RM113.1 million was RM49.8 million lower than the prior period revenue of RM162.9 million, mainly due to lower number of LPG repair and lack of conversion work in the current period coupled with prolonged border restrictions imposed by the Government due to the COVID-19 pandemic.

The segment recorded a lower operating loss of RM22.6 million against an operating loss of RM31.5 million in the prior period mainly due to higher provision for doubtful debts recognised in the prior period.

***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 Jun 2021	31 Mar 2021
	RM '000	RM '000
<b>Revenue</b>		
Heavy Engineering	228,796	304,154
Marine	73,652	39,419
	<u>302,448</u>	<u>343,573</u>
<b>Results</b>		
Heavy Engineering	(20,423)	(85,134)
Marine	(4,925)	(17,678)
Others	(964)	948
Eliminations/Adjustments	22	(9)
<b>Operating loss</b>	<u>(26,290)</u>	<u>(101,873)</u>
Impairment loss	(7,864)	-
Finance cost	(3,110)	(2,703)
Share of results of joint ventures	-	-
<b>Loss before taxation</b>	<u>(37,264)</u>	<u>(104,576)</u>

The Group posted a lower revenue of RM302.4 million against the preceding quarter's revenue of RM343.6 million mainly due to lower revenue from Heavy Engineering segment partially offset with higher revenue from Marine segment.

Notwithstanding the lower revenue, the Group reported lower operating loss of RM26.3 million compared to preceding quarter's loss of RM101.9 million due to additional cost provisions recognised in the preceding quarter.

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

	As at	As at	Variance
	30 Jun 2021	31 Dec 2020	
	RM '000	RM '000	%
Total assets	3,071,899	3,146,351	-2.4%
Total equity attributable to equity holders of the Company	1,839,690	1,961,015	-6.2%
Total liabilities	1,230,628	1,180,648	4.2%

The Group's total assets decreased by RM74.5 million or 2.4%, mainly due to decrease in property, plant and equipment amounting to RM21.5 million, decrease in receivables by RM23.4 million and decrease in cash and bank balances by RM26.1 million.

The decrease in total equity attributable to equity holders by RM121.3 million or 6.2% was due to total comprehensive loss recognised in the current period.

The increase in the Group's total liabilities by RM50.0 million or 4.2% was mainly contributed by higher borrowings from the additional disbursement of loan for Dry Dock No. 3.

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

	Cumulative 6 Months Ended		Variance
	30 Jun 2021	30 Jun 2020	
	RM '000	RM '000	%
Net cash (used in)/generated from operating activities	(30,089)	13,552	>-100%
Net cash used in investing activities	(60,176)	(75,979)	-21%
Net cash generated from financing activities	64,185	29,736	>100%
Net change in cash & cash equivalents	(26,080)	(32,691)	-20%

The Group's net cash used in operating activities was RM30.1 million against net cash generated from operating activities of RM13.6 million in the prior period mainly due to higher payments during the current period.

Net cash used in investing activities was lower by RM15.8 million contributed by lower capital spending in the current period in line with the completion of the new Dry Dock No. 3.

Net cash generated from financing activities was higher by RM34.4 million mainly due to higher term loan drawdown in the current period.

**B5. CURRENT YEAR PROSPECTS**

The rise in oil price exceeded expectations driven by shrinking global oil supply and rebound in demand. However, renewed targeted lockdowns due to recent spike in COVID-19 cases linked to new deadlier variants in many regions may pose risks to sustain recovery. Although the higher oil price provides assurance to oil majors to restart projects, capital discipline is still being prioritised in view of the lasting effects of COVID-19 pandemic on the industry. The recent surge of other commodity prices such as steel due to pent-up demand and supply bottlenecks resulting from the pandemic may also unfavourably impact the viability and execution of new Heavy Engineering business prospects. As such, despite the industry showing signs of recovery, the Group remains cautiously optimistic on future business opportunities.

Marine business prospects are expected to continue to be impacted by the nation's prevailing stringent border restrictions. Fierce competition to secure limited opportunities within the market shall persist as foreign clients continue to opt for shipyards in countries with more relaxed border restrictions due to higher rates of vaccinated population and lower COVID-19 cases. As such, the Group expects the marine business to remain challenging.

The Group remains committed to replenish its order book by continuing to pursue business opportunities in other segments and new regions whilst maintaining its efforts to ensure competitiveness of ongoing and future bids. Implementation of the Group's key initiatives to manage and optimise operating costs along with safe execution and delivery of ongoing projects remain as its priorities.

**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 Jun 2021 RM '000	30 Jun 2020 RM '000
Taxation for the period comprises the following:		
Income tax charge		
- current period	-	100
	<u>-</u>	<u>100</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the period. 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) (Cont'd)**

The Group refers to the Material Litigation status provided previously and would like to update that the Parties to the Arbitration have executed a Settlement Agreement on 8 March 2021. The salient terms of the Settlement Agreement are as follows:

- 1) EAT shall pay as full and final settlement an amount of USD25.5 million in instalments.
- 2) This amount of USD25.5m however may revert to the original amount under the Arbitration award i.e. USD29,520,172.65 and costs in the sum of RM4,686,398.16 should EAT default on any of the instalments as agreed.
- 3) Sindora Berhad, EAT's parent company has also provided a Corporate Guarantee as a surety to EAT's compliance to the terms of the Settlement Agreement.

As part of the settlement, the parties also agreed to withdraw and have since withdrawn all pending Court actions, namely, actions which commenced post-Adjudication Decision dated 27 May 2019, post Adjudication Decision dated 2 December 2019 and post Final Award dated 10 November 2020.

The settlement sum is not expected to result in significant material upside or profit to the Group.

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

**ii) Malaysia Marine and Heavy Engineering Sdn Bhd (MMHE) and Keabangan Petroleum Operating Company Sdn Bhd (KPOC)**

MMHE had on 13 March 2019 received a notice of arbitration from KPOC in relation to claims arising from the Keabangan ("KBB") field project. KPOC claims that MMHE was and is in breach of the contract in respect of the appointed supplier of the valves per the contract. The actual valves procured were claimed to be defective and thus KPOC has suffered substantial loss and damage.

Pursuant to the Statement of Claim by KPOC dated 13 October 2019, total claims of approximately RM93.1 million were made in relation to loss and damage in respect of the valves procured by MMHE. This amount was later reduced to RM58.9 million following clarification with the Arbitration tribunal.

The Group will vigorously defend the claims made by KPOC. Oral submissions have been conducted on 14 April 2021. The Arbitration Tribunal has yet to issue further instructions on the proceedings.

Apart from the Arbitration, the Group reserves its right to pursue any other legal actions as may be permitted under Malaysian law, including, if appropriate, to seek indemnity from the ultimate supplier of the said valves.

The Group is of the view that it has a fair chance to defend against KPOC's claims and therefore has not made any provision in respect of this claim.

**iii) Boskalis Malaysia Sdn Bhd ("BMSB") v. MMHE**

MMHE had on 16 March 2021 received a Notice of Arbitration from BMSB in relation to claims arising from Subcontract No. 3900006700 ("Subcontract") for the Transportation and Installation (T&I) Works for Topside Float Over for Bokor CPP Project.

Pursuant to the Subcontract, BMSB, amongst others, was required to make available a vessel ("Vessel") for the load out of the Topside based on an agreed schedule.

In the Notice of Arbitration, BMSB claims that there was a delay in the load out exercise and that it had allegedly incurred demurrage and standby costs ("Alleged Costs") as a result of the delay. BMSB seeks the Alleged Costs, in the amount of USD11,954,475.00, together with interest and costs (collectively, "Claims").

MMHE disputes the Claims and maintains that MMHE has fully observed the provisions of the Subcontract at all times. BMSB's Claims are not consistent with the Subcontract and/or in law.

Further, the events and circumstances during the Claim Period were fully known to BMSB and there was no delay on MMHE's part during the said Period that will entitle BMSB to any compensation.

MMHE will vigorously defend the Claims.

In terms of status of the Arbitration, MMHE has filed its Response to the Notice of Arbitration on 14 April 2021. On 17 May 2021, the Asian International Arbitration Centre (AIAC) confirmed the appointment of two (2) arbitrators; who subsequently nominated a third (3rd) arbitrator on 9 June 2021. However, the matter was put on hold as at 8 July 2021 as both parties are looking into a possible settlement which is expected to be concluded between mid to end August 2021.

The Group is of the view that it has a fair chance to defend against BMSB's claims and therefore has not made full provision in respect of this claim.

**B9. DIVIDEND PROPOSED**

No dividend has been proposed for the period ended 30 June 2021.

**B10. DERIVATIVES**

Details of the Group's derivative financial instruments outstanding as at 30 June 2021 are as follows:

	<b>Contract/ Notional Amount as at 30 Jun 2021 (in RM '000)</b>	<b>Fair Value gain (in RM '000)</b>
Forward foreign currency contracts	508,282	(1,209)

During the period, the Group recognised a net unrealised derivatives gain of RM17,408,000 in its equity and RM628,000 in profit or loss for the effective and ineffective portion respectively, in relation to the fair value of the cash flow hedges.

**B11. LOSS PER SHARE**

	<b>Quarter Ended</b>		<b>Cumulative 6 Months Ended</b>	
	<b>30 Jun 2021</b>	<b>30 Jun 2020</b>	<b>30 Jun 2021</b>	<b>30 Jun 2020</b>
Basic loss per share are computed as follows:				
Loss for the period attributable to equity holders of the Company (RM '000)	(34,381)	(397,023)	(138,733)	(390,892)
Weighted average number of ordinary shares in issue (thousand)	1,600,000	1,600,000	1,600,000	1,600,000
<b>Basic loss per share (sen)</b>	<b><u>(2.1)</u></b>	<b><u>(24.8)</u></b>	<b><u>(8.7)</u></b>	<b><u>(24.4)</u></b>

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

**B12. IMPACT OF COVID-19 PANDEMIC**

The COVID-19 pandemic has impacted the Group's financial performance significantly, mainly due to the major disruption to Marine business as the country's prevailing border restrictions continue to hit the business' competitiveness against the neighbouring yards. Although MCO 3.0 had not affected yard operations as much, the constraints under the "new normal" still had an impact on the operational performance particularly the Heavy Engineering segment as productivity has yet to return to pre-pandemic levels. To mitigate the adverse impact, the Group will continue to rigorously pursue recovery of COVID-19 costs from clients.

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

As the Marine segment continues to record losses from the lower revenue and unabsorbed overheads since the pandemic hit the country over a year ago, the Group's operating loss remained in the red at RM128.2 million in the first half of the current year compared to RM94.6 million loss in the corresponding period last year. The current period performance was made worse by the impact of additional cost provisions on one of its Heavy Engineering on-going projects as well as impairment loss of RM7.9 million attributable to the prolonged downturn in the offshore support vessel market owing to the COVID-19 pandemic. Notwithstanding this unfavourable financial performance, the Group's cash flows, liquidity and financial position remained strong throughout the current period with the Group recording total asset balances of RM3.1 billion, net working capital of RM229.2 million and current ratio of 1.2 at the end of the current period.

The Group's net assets at RM1.8 billion with healthy cash and bank balances of RM625.0 million coupled with orderbook of RM2.7 billion as at 30 June 2021 should enable the Group to withstand the challenging economic conditions amidst the prolonged pandemic.

**COVID-19 health and safety measures**

Apart from continuing to operate under the required COVID-19 SOPs such as the mandatory temperature screening, wearing masks and physical distancing, the Group had recently participated in the Program Imunisasi Industri COVID-19 Kerjasama Awam-Swasta (PIKAS) with the aim to get all employees fully inoculated against COVID-19. Employees at locations other than the Pasir Gudang yard are also covered under this program.

Additionally, in supporting the Government's efforts to expedite the attainment of herd immunity, the Group has also taken rigorous efforts to ensure all subcontractors' employees performing work in the yard are eligible for the PIKAS vaccination soonest possible to protect all workers against the risks of infection.