

**QUARTERLY REPORT**

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

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

|   | QUARTER ENDED   |                | CUMULATIVE 9 MONTHS ENDED |                  |
|---|-----------------|----------------|---------------------------|------------------|
|   | 30 SEP 2021     | 30 SEP 2020    | 30 SEP 2021               | 30 SEP 2020      |
|   | RM '000         | RM '000        | RM '000                   | RM '000          |
| Revenue   | 389,286         | 369,459        | 1,035,307                 | 871,206          |
| Other operating income  | 9,778           | 3,080          | 17,463                    | 1,556            |
| Operating (loss)/profit   | (20,162)        | 2,520          | (148,325)                 | (92,072)         |
| Impairment loss   | -               | -              | (7,864)                   | (300,000)        |
| Finance cost  | (3,434)         | -              | (9,247)                   | -                |
| Share of results of joint ventures  | -               | -              | -                         | -                |
| (Loss)/Profit before taxation   | (23,596)        | 2,520          | (165,436)                 | (392,072)        |
| Taxation  | -               | (100)          | -                         | (301)            |
| (Loss)/Profit after taxation  | (23,596)        | 2,420          | (165,436)                 | (392,373)        |
| <b>Other comprehensive (loss)/income:</b>                                     |                 |                |                           |                  |
| Fair value through other comprehensive income:                                |                 |                |                           |                  |
| Changes in fair value of hedging derivatives                                  | (2,032)         | (7,987)        | 15,376                    | (4,022)          |
| <b>Total comprehensive loss for the period</b>                                | <b>(25,628)</b> | <b>(5,567)</b> | <b>(150,060)</b>          | <b>(396,395)</b> |
| <b>(Loss)/Profit attributable to:</b>   |                 |                |                           |                  |
| Equity holders of the Company   | (23,879)        | 2,644          | (162,612)                 | (388,248)        |
| Non-controlling interests   | 283             | (224)          | (2,824)                   | (4,125)          |
|   | <b>(23,596)</b> | <b>2,420</b>   | <b>(165,436)</b>          | <b>(392,373)</b> |
| <b>Total comprehensive loss attributable to:</b>                              |                 |                |                           |                  |
| Equity holders of the Company   | (25,911)        | (5,343)        | (147,236)                 | (392,270)        |
| Non-controlling interests   | 283             | (224)          | (2,824)                   | (4,125)          |
|   | <b>(25,628)</b> | <b>(5,567)</b> | <b>(150,060)</b>          | <b>(396,395)</b> |
| <b>(Loss)/Profit per share attributable to equity holders of the Company:</b> |                 |                |                           |                  |
| (i) Basic (sen)   | (1.5)           | 0.2            | (10.2)                    | (24.3)           |
| (ii) Dilutive (sen)   | (1.5)           | 0.2            | (10.2)                    | (24.3)           |

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

|  | 30 SEP 2021<br>RM '000  | 31 DEC 2020<br>RM '000  |
|--|-------------------------|-------------------------|
| Non-current assets                                   |                         |                         |
| Property, plant and equipment                        | 1,553,374               | 1,579,177               |
| Right-of-use assets                                  | 206,341                 | 216,406                 |
| Investment in joint ventures                         | 8,907                   | 8,907                   |
| Deferred tax assets                                  | 93,293                  | 93,293                  |
| Trade & other receivables                            | 6,283                   | -                       |
|  | <u>1,868,198</u>        | <u>1,897,783</u>        |
| Current assets                                       |                         |                         |
| Inventories  | 4,309                   | 4,877                   |
| Trade & other receivables                            | 500,288                 | 591,728                 |
| Tax recoverable                                      | 204                     | 909                     |
| Cash and bank balances                               | 617,111                 | 651,054                 |
|  | <u>1,121,912</u>        | <u>1,248,568</u>        |
| <b>TOTAL ASSETS</b>                                  | <b><u>2,990,110</u></b> | <b><u>3,146,351</u></b> |
| Equity attributable to equity holders of the Company |                         |                         |
| Share capital  | 1,618,263               | 1,618,263               |
| Cash flow hedge reserve                              | (633)                   | (16,009)                |
| Retained earnings                                    | 196,149                 | 358,761                 |
|  | <u>1,813,779</u>        | <u>1,961,015</u>        |
| Non-controlling interests                            | 1,864                   | 4,688                   |
| Total equity   | <u>1,815,643</u>        | <u>1,965,703</u>        |
| Non-current liabilities                              |                         |                         |
| Borrowing  | 318,450                 | 228,537                 |
| Derivatives  | 41                      | 7,573                   |
| Lease liabilities                                    | 541                     | 6,854                   |
|  | <u>319,032</u>          | <u>242,964</u>          |
| Current liabilities                                  |                         |                         |
| Trade & other payables                               | 821,065                 | 904,276                 |
| Borrowing  | 32,313                  | 19,859                  |
| Lease liabilities                                    | 1,365                   | 1,878                   |
| Derivatives  | 692                     | 11,671                  |
|  | <u>855,435</u>          | <u>937,684</u>          |
| Total liabilities                                    | <u>1,174,467</u>        | <u>1,180,648</u>        |
| <b>TOTAL EQUITY AND LIABILITIES</b>                  | <b><u>2,990,110</u></b> | <b><u>3,146,351</u></b> |

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

|   | <b>CUMULATIVE 9 MONTHS ENDED</b> |                       |
|---|----------------------------------|-----------------------|
|   | <b>30 SEP 2021</b>               | <b>30 SEP 2020</b>    |
|   | <b>RM '000</b>                   | <b>RM '000</b>        |
| Loss before taxation  | (165,436)                        | (392,072)             |
| Adjustments for:  |                                  |                       |
| Property, plant and equipment                                 |                                  |                       |
| - depreciation  | 56,787                           | 49,596                |
| - write offs  | -                                | 40                    |
| - impairment loss   | 7,864                            | 297,698               |
| Right-of-use assets   |                                  |                       |
| - amortisation  | 6,599                            | 7,150                 |
| - impairment loss   | -                                | 2,302                 |
| - gain on lease termination                                   | (1,821)                          | -                     |
| (Reversal)/Allowance for impairment loss on trade receivables | (1,479)                          | 12,087                |
| Interest income   | (7,229)                          | (9,674)               |
| Net unrealised (gain)/loss on foreign exchange                | (2,342)                          | 1,024                 |
| Changes in fair value of hedging derivatives                  | (3,135)                          | -                     |
| Finance cost  | 9,247                            | -                     |
| Operating loss before working capital changes                 | <u>(100,945)</u>                 | <u>(31,849)</u>       |
| Inventories   | 568                              | 666                   |
| Trade and other receivables                                   | 86,636                           | (237,763)             |
| Trade and other payables                                      | <u>(80,210)</u>                  | <u>293,311</u>        |
| Cash (used in)/generated from operations                      | (93,951)                         | 24,365                |
| Tax paid  | -                                | (134)                 |
| Tax refund  | 45                               | -                     |
| Net cash (used in)/generated from operating activities        | <u>(93,906)</u>                  | <u>24,231</u>         |
| <br>  |                                  |                       |
| Purchase of property, plant and equipment                     | (38,848)                         | (112,047)             |
| Interest received   | 7,229                            | 9,674                 |
| Net cash used in investing activities                         | <u>(31,619)</u>                  | <u>(102,373)</u>      |
| <br>  |                                  |                       |
| Drawdown on long term borrowings                              | 121,915                          | 69,525                |
| Payment of principal on long term borrowings                  | (19,548)                         | -                     |
| Interest paid on long term borrowings                         | (8,895)                          | (6,184)               |
| Interest paid on lease liabilities                            | (352)                            | (415)                 |
| Payment of principal portion of lease liabilities             | <u>(1,538)</u>                   | <u>(1,496)</u>        |
| Net cash generated from financing activities                  | <u>91,582</u>                    | <u>61,430</u>         |
| <br>  |                                  |                       |
| Net change in cash & cash equivalents                         | (33,943)                         | (16,712)              |
| <br>  |                                  |                       |
| Cash & cash equivalents at the beginning of the year          | 638,872                          | 661,732               |
| <br>  |                                  |                       |
| <b>Cash &amp; cash equivalents at the end of the period</b>   | <b><u>604,929</u></b>            | <b><u>645,020</u></b> |
| <br>  |                                  |                       |
| Cash at banks and in hand                                     | 43,211                           | 104,313               |
| IFSSC bank balance  | 400,866                          | 391,889               |
| Deposits with licensed banks                                  | <u>173,034</u>                   | <u>161,000</u>        |
|   | 617,111                          | 657,202               |
| Less: Cash pledged with the bank - restricted                 | <u>(12,182)</u>                  | <u>(12,182)</u>       |
|   | <b><u>604,929</u></b>            | <b><u>645,020</u></b> |

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

|   | -----Attributable to equity-----> |  |   |                  |   | Total<br>Equity<br>RM '000 |
|---|-----------------------------------|--|---|------------------|---|----------------------------|
|   | Share<br>Capital<br>RM '000       | Distributable<br>Retained<br>Earnings<br>RM '000 | Fair Value<br>through<br>OCI Reserve<br>RM '000 | Total            | Non-controlling<br>Interests<br>RM '000 |                            |
| <b>9 MONTHS ENDED 30 SEPTEMBER 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       | -                                 | (162,612)  | 15,376  | (147,236)        | (2,824)                                 | (150,060)                  |
| <b>At 30 SEPTEMBER 2021</b>             | <u>1,618,263</u>                  | <u>196,149</u>                                   | <u>(633)</u>                                    | <u>1,813,779</u> | <u>1,864</u>                            | <u>1,815,643</u>           |
| <b>9 MONTHS ENDED 30 SEPTEMBER 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                | -                                 | (388,248)  | (4,022)   | (392,270)        | (4,125)                                 | (396,395)                  |
| <b>At 30 SEPTEMBER 2020</b>             | <u>1,618,263</u>                  | <u>367,317</u>                                   | <u>(5,582)</u>                                  | <u>1,979,998</u> | <u>5,045</u>                            | <u>1,985,043</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 1 November 2021.

### A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the period ended 30 September 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)

As of 1 April 2021, the Group has adopted Amendments to MFRS 16 Leases (Covid-19 - Related Rent Concessions beyond 30 June 2021) which is effective for annual periods beginning on or after 1 April 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 September 2021.

**A9. INTEREST BEARING LOANS AND BORROWINGS**

The tenure of Group borrowings are as follows:

|                     | 30 Sep 2021<br>RM '000 | 31 Dec 2020<br>RM '000 |
|---------------------|------------------------|------------------------|
| Secured - Term Loan |                        |                        |
| Current             | 32,313                 | 19,859                 |
| Non-current         | 318,450                | 228,537                |
|                     | <u>350,763</u>         | <u>248,396</u>         |

The Group made a RM121.9 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 2021.

**A11. SEGMENT REPORT**

Segmental analysis for the current financial period is as follows:

|                                    | Heavy<br>Engineering<br>RM '000 | Marine<br>RM '000 | Others<br>RM '000 | Eliminations<br>RM '000 | Total<br>RM '000 |
|------------------------------------|---------------------------------|-------------------|-------------------|-------------------------|------------------|
| <b>REVENUE AND RESULTS</b>         |                                 |                   |                   |                         |                  |
| <b>Revenue</b>                     |                                 |                   |                   |                         |                  |
| External                           | <u>863,508</u>                  | <u>171,799</u>    | <u>-</u>          | <u>-</u>                | <u>1,035,307</u> |
| <b>Results</b>                     |                                 |                   |                   |                         |                  |
| Operating (loss)/profit            | <u>(118,632)</u>                | <u>(31,733)</u>   | <u>2,068</u>      | <u>(28) *</u>           | <u>(148,325)</u> |
| Impairment loss                    |                                 |                   |                   |                         | (7,864)          |
| Finance costs                      |                                 |                   |                   |                         | (9,247)          |
| Share of results of joint ventures |                                 |                   |                   |                         | -                |
| <b>Loss before taxation</b>        |                                 |                   |                   |                         | <u>(165,436)</u> |

\* Inter-segment transactions are eliminated on consolidation.

**A12. LOSS FOR THE PERIOD**

|   | Quarter Ended          |                        | Cumulative 9 Months Ended |                        |
|---|------------------------|------------------------|---------------------------|------------------------|
|   | 30 Sep 2021<br>RM '000 | 30 Sep 2020<br>RM '000 | 30 Sep 2021<br>RM '000    | 30 Sep 2020<br>RM '000 |
| <b>Loss/(Profit) for the period is arrived at after charging:</b> |                        |                        |                           |                        |
| Right-of-use assets   |                        |                        |                           |                        |
| - amortisation  | 2,209                  | 2,379                  | 6,599                     | 7,150                  |
| - impairment loss   | -                      | -                      | -                         | 2,302                  |
| Net unrealised loss on foreign exchange                           | 102                    | 1,256                  | -                         | 1,024                  |
| Finance cost  | 3,434                  | -                      | 9,247                     | -                      |
| Property, plant and equipment                                     |                        |                        |                           |                        |
| - depreciation  | 20,379                 | 13,584                 | 56,787                    | 49,596                 |
| - write offs  | -                      | -                      | -                         | 40                     |
| - impairment loss   | -                      | -                      | 7,864                     | 297,698                |
| Net allowance for impairment loss on trade receivables            | -                      | -                      | -                         | 12,087                 |
| <b>after (crediting):</b>   |                        |                        |                           |                        |
| Net income from scrap disposal                                    | (354)                  | (2,029)                | (2,569)                   | (3,065)                |
| Interest income   | (2,378)                | (2,199)                | (7,229)                   | (9,674)                |
| Changes in fair value of hedging derivatives                      | (2,507)                | -                      | (3,135)                   | -                      |
| Net unrealised gain on foreign exchange                           | -                      | -                      | (2,342)                   | -                      |
| Net reversal of impairment loss on trade receivables              | (1,720)                | (648)                  | (1,479)                   | -                      |
| Rental income   |                        |                        |                           |                        |
| - land  | (291)                  | (216)                  | (760)                     | (613)                  |
| - building  | (196)                  | (362)                  | (443)                     | (561)                  |
| - equipments  | (292)                  | (93)                   | (418)                     | (164)                  |
| Net gain on lease termination                                     | (1,821)                | -                      | (1,821)                   | -                      |

**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 September 2021 comprise the following:

|                                | 30 Sep 2021<br>RM '000 | 31 Dec 2020<br>RM '000 |
|--------------------------------|------------------------|------------------------|
| <b>Unsecured</b>               |                        |                        |
| Bank guarantees extended to: - |                        |                        |
| - Related companies            | 332,752                | 287,016                |
| - Third parties                | 131,898                | 51,977                 |
|                                | <u>464,650</u>         | <u>338,993</u>         |

**A17. CAPITAL COMMITMENTS**

|                                 | 30 Sep 2021<br>RM '000 | 31 Dec 2020<br>RM '000 |
|---------------------------------|------------------------|------------------------|
| Approved and contracted for     | 46,149                 | 11,215                 |
| Approved but not contracted for | 19,814                 | 34,712                 |
|                                 | <u>65,963</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 9 Months Ended |                        |
|--------------------------------------|------------------------|------------------------|---------------------------|------------------------|
|                                      | 30 Sep 2021<br>RM '000 | 30 Sep 2020<br>RM '000 | 30 Sep 2021<br>RM '000    | 30 Sep 2020<br>RM '000 |
| <b>Revenue</b>                       |                        |                        |                           |                        |
| Heavy Engineering                    | 330,558                | 270,852                | 863,508                   | 609,691                |
| Marine                               | 58,728                 | 98,607                 | 171,799                   | 261,515                |
|                                      | <u>389,286</u>         | <u>369,459</u>         | <u>1,035,307</u>          | <u>871,206</u>         |
| <b>Results</b>                       |                        |                        |                           |                        |
| Heavy Engineering                    | (13,075)               | 214                    | (118,632)                 | (68,331)               |
| Marine                               | (9,130)                | 1,199                  | (31,733)                  | (30,275)               |
| Others                               | 2,084                  | 1,034                  | 2,068                     | 6,299                  |
| Eliminations/Adjustments             | (41)                   | 73                     | (28)                      | 235                    |
| <b>Operating (loss)/profit</b>       | <u>(20,162)</u>        | <u>2,520</u>           | <u>(148,325)</u>          | <u>(92,072)</u>        |
| Impairment loss                      | -                      | -                      | (7,864)                   | (300,000)              |
| Finance cost                         | (3,434)                | -                      | (9,247)                   | -                      |
| Share of results of joint ventures   | -                      | -                      | -                         | -                      |
| <b>(Loss)/Profit before taxation</b> | <u>(23,596)</u>        | <u>2,520</u>           | <u>(165,436)</u>          | <u>(392,072)</u>       |

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

# Inter-segment operating loss elimination

|                   |    |      |    |       |
|-------------------|----|------|----|-------|
| Heavy Engineering | 22 | (42) | 15 | (135) |
| Marine            | 19 | (31) | 13 | (100) |

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

The Group posted a revenue of RM389.3 million in the current quarter, higher by RM19.8 million from a revenue of RM369.5 million in the corresponding quarter mainly due to higher revenue from the Heavy Engineering segment partially offset by lower revenue from the Marine segment.

At the operating profit level, the Group recorded operating loss of RM20.2 million compared to an operating profit of RM2.5 million in the corresponding quarter.

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

**Heavy Engineering**

Heavy Engineering segment recorded revenue of RM330.6 million in the current quarter compared to RM270.9 million in the corresponding quarter, mainly due to increased activities for an on-going project.

The segment posted an operating loss of RM13.1 million in the current quarter against operating profit of RM0.2 million in the corresponding quarter due to lower contribution from post-sailaway projects.



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

Revenue of RM58.7 million was RM39.9 million lower compared to RM98.6 million in the corresponding quarter mainly due to absence of conversion works during the current quarter.

In tandem with the lower revenue, the segment swung to an operating loss of RM9.1 million compared to an operating profit of RM1.2 million 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 September 2020 (prior period)**

Group revenue of RM1,035.3 million was RM164.1 million higher than the prior period revenue of RM871.2 million mainly contributed by the Heavy Engineering segment partially offset by lower revenue from Marine segment.

The Group posted a higher operating loss of RM148.3 million against an operating loss of RM92.1 million in the prior period mainly due to additional cost provision recognised for an on-going project in the Heavy Engineering segment.

Despite the higher operating loss, the Group's loss before tax was lower at RM165.4 million against RM392.1 million in the corresponding period. This was 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 RM863.5 million compared to RM609.7 million in the prior period mainly due to higher revenue from an on-going project 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 RM118.6 million against RM68.3 million loss in the prior period mainly contributed by additional cost provisions recognised for an on-going project during the current period.

***Marine***

Revenue of RM171.8 million was RM89.7 million lower than the prior period revenue of RM261.5 million, mainly due to lower number of LPG repair and absence of conversion work in the current period coupled with prolonged border restrictions imposed by the Government due to the COVID-19 pandemic.

In tandem with lower revenue, the segment recorded higher operating loss of RM31.7 million in the current period against operating loss of RM30.3 million 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 Sep 2021     | 30 Jun 2021     |
|                                    | RM '000         | RM '000         |
| <b>Revenue</b>                     |                 |                 |
| Heavy Engineering                  | 330,558         | 228,796         |
| Marine                             | 58,728          | 73,652          |
|                                    | <u>389,286</u>  | <u>302,448</u>  |
| <b>Results</b>                     |                 |                 |
| Heavy Engineering                  | (13,075)        | (20,423)        |
| Marine                             | (9,130)         | (4,925)         |
| Others                             | 2,084           | (964)           |
| Eliminations/Adjustments           | (41)            | 22              |
| <b>Operating loss</b>              | <u>(20,162)</u> | <u>(26,290)</u> |
| Impairment loss                    | -               | (7,864)         |
| Finance cost                       | (3,434)         | (3,110)         |
| Share of results of joint ventures | -               | -               |
| <b>Loss before taxation</b>        | <u>(23,596)</u> | <u>(37,264)</u> |

The Group posted a higher revenue of RM389.3 million against the preceding quarter's revenue of RM302.4 million mainly due to higher revenue from the Heavy Engineering segment partially offset by lower revenue from the Marine segment.

In tandem with the higher revenue, the Group recorded lower operating loss of RM20.2 million compared to preceding quarter's operating loss of RM26.3 million.

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

|  | As at       | As at       | Variance<br>% |
|--|-------------|-------------|---------------|
|  | 30 Sep 2021 | 31 Dec 2020 |               |
|  | RM '000     | RM '000     |               |
| Total assets   | 2,990,110   | 3,146,351   | -5.0%         |
| Total equity attributable to equity holders of the Company | 1,813,779   | 1,961,015   | -7.5%         |
| Total liabilities  | 1,174,467   | 1,180,648   | -0.5%         |

The Group's total assets decreased by RM156.2 million or 5.0%, mainly due to decrease in property, plant and equipment, receivables and cash and bank balances by RM25.8 million, RM85.2 million and RM33.9 million respectively.

The decrease in total equity attributable to equity holders by RM147.2 million or 7.5% was due to total comprehensive loss recognised in the current period.

The decrease in the Group's total liabilities by RM6.2 million was mainly contributed by lower payables partially offset with higher borrowings from the additional term loan drawdown for Dry Dock No. 3.

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

|  | Cumulative 9 Months Ended |             | Variance<br>% |
|--|---------------------------|-------------|---------------|
|  | 30 Sep 2021               | 30 Sep 2020 |               |
|  | RM '000                   | RM '000     |               |
| Net cash (used in)/generated from operating activities | (93,906)                  | 24,231      | >-100%        |
| Net cash used in investing activities                  | (31,619)                  | (102,373)   | -69%          |
| Net cash generated from financing activities           | 91,582                    | 61,430      | 49%           |
| Net change in cash & cash equivalents                  | (33,943)                  | (16,712)    | >-100%        |

The Group recorded net cash used in operating activities of RM93.9 million against net cash generated from operating activities of RM24.2 million in the prior period mainly due to higher payments during the current period.

Net cash used in investing activities was lower by RM70.8 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 RM30.2 million mainly due to higher term loan drawdown in the current period.

**B5. CURRENT YEAR PROSPECTS**

Oil prices have been rising due to increase in demand as key economies continue to re-open and recover from the COVID-19 pandemic. However, concerns remain on a potential fourth global wave of infections which could disrupt progress of the recovery. This uncertainty coupled with high steel prices is expected to continue to result in modest spending by oil majors. As such, the Group remains cautious on the prospects for the heavy engineering segment during the remainder of the year.

On the marine segment, until international borders re-open, foreign clients are likely to continue to send their vessels to shipyards in countries with more relaxed border restrictions. In addition, LNG demand from Far East consumers is expected to remain high during the upcoming winter despite the global gas price hike, increasing LNG trade which will result in more LNG vessel owners deferring dry-docking. This would in turn lead to greater competition amongst shipyards for the limited dry-docking opportunities. As such, the Group expects the marine business to remain challenging.

The Group aims to replenish its order book through diversifying into new segments and new regions. Furthermore, ongoing efforts focusing on cost management, safe execution and timely delivery of ongoing projects remain key 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 Sep 2021<br>RM '000 | 30 Sep 2020<br>RM '000 |
|--|------------------------|------------------------|
| Taxation for the period comprises the following: |                        |                        |
| Income tax charge                                |                        |                        |
| - current period                                 | -                      | 301                    |
|  | -                      | 301                    |

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 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. KPOC, subsequently, as part of its Closing Submissions dated 9 March 2021, identified its claim amount as RM58.9 million.

By way of Final Award dated 23 July 2021 that was made available to MMHE on 3 August 2021 ("Final Award"), the Arbitral Tribunal has ordered that MMHE shall pay KPOC the following:-

- 1) The sum of RM17,241,178 as damages for the costs expenses incurred by KPOC for assessment, procurement and replacement of valves in the period of 2016 to 2019, together with interest at the rate of 5% per annum from 11 October 2019 to the day of payment;
- 2) The sum of RM9,820,770 as damages suffered by KPOC in having to procure 1,365 valves and install 1,454 valves in the future, together with interest at the rate of 5% per annum from 11 October 2019 till the date of payment; and
- 3) The sum of RM1,029,167 for its legal fees and expenses.

In the Final Award, the Arbitral Tribunal also dismissed all of KPOC's claim for loss of revenue in the sum of RM28,030,906.

On 29 September 2021, KPOC filed an application to recognise and enforce the Final Award. On 30 September 2021, MMHE filed an application to set aside the Final Award pursuant to Section 37 of the Arbitration Act 2005, whereby MMHE seeks for the Final Award to be set aside on grounds, amongst others, that there was a breach of the rules of natural justice in connection with the making of the Final Award.

**B8. CHANGES IN MATERIAL LITIGATION (CONT'D.)****ii) Boskalis Malaysia Sdn Bhd ("BMSB") and Malaysia Marine and Heavy Engineering Sdn Bhd (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.

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, 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.

In terms of status of the Arbitration, parties have jointly conveyed to the Arbitral Tribunal that a full and final settlement has been reached. As of 1 November 2021, parties are awaiting the Arbitral Tribunal's issuance of the order for termination of the Arbitration.

**B9. DIVIDEND PROPOSED**

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

**B10. DERIVATIVES**

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

|                                    | <b>Contract/<br/>Notional<br/>Amount as at<br/>30 Sep 2021<br/>(in RM '000)</b> | <b>Fair Value<br/>gain<br/>(in RM '000)</b> |
|------------------------------------|---|---|
| Forward foreign currency contracts | 440,770   | (733)                                       |

During the period, the Group recognised a net unrealised derivatives gain of RM15,376,000 in its equity and RM3,135,000 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**

|  | <b>Quarter Ended</b> |                    | <b>Cumulative 9 Months Ended</b> |                      |
|--|----------------------|--------------------|----------------------------------|----------------------|
|  | <b>30 Sep 2021</b>   | <b>30 Sep 2020</b> | <b>30 Sep 2021</b>               | <b>30 Sep 2020</b>   |
| Basic (loss)/profit per share are computed as follows:                               |                      |                    |                                  |                      |
| (Loss)/Profit for the period attributable to equity holders of the Company (RM '000) | (23,879)             | 2,644              | (162,612)                        | (388,248)            |
| Weighted average number of ordinary shares in issue (thousand)                       | 1,600,000            | 1,600,000          | 1,600,000                        | 1,600,000            |
| <b>Basic (loss)/profit per share (sen)</b>   | <b><u>(1.5)</u></b>  | <b><u>0.2</u></b>  | <b><u>(10.2)</u></b>             | <b><u>(24.3)</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 Group's financial performance continued to be affected by the COVID-19 pandemic mainly from the major disruption to the revenue stream of Marine segment. The nation's prevailing border restrictions remain as a key factor for the business to be less competitive compared to the neighbouring yards and hence, resulted in significant reduction in the number of vessels secured during the financial period.

Heavy Engineering segment is not spared from the pandemic although less severely impacted compared to Marine segment. Despite the continuing yard operation, the segment's productivity remains at the level below pre-pandemic due to the SOP requirements and thus, impacting the projects' progress to a certain extent.

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

As a result of the lesser number of vessels secured, Marine segment's revenue decreased to RM171.8 million for the current nine month-period compared to RM261.5 million revenue in the corresponding period. Consequently, the segment reported higher operating loss of RM31.7 million against a loss of RM30.3 million in the same period last year.

Heavy Engineering segment on the other hand, reported higher revenue during the current period as the main on-going projects progress further into construction stage and offsets the negative impact of the lower productivity from the COVID-19 SOPs. The segment recorded a revenue of RM863.5 million, higher by RM253.8 million than the corresponding period. Despite reporting favourable revenue, at the operating profit level, the segment's loss however, widened from RM68.3 million in the same period last year to RM118.6 million in the current period mainly due to the additional cost provisions made on one of its on going projects due to the extended completion date.

With the above performances of the two segments, the Group posted an operating loss of RM148.3 million, 61% or RM56.2 million worse off than the corresponding period.

Notwithstanding the wider operating loss, the Group's cash flows, liquidity and financial position remained strong throughout the current period with the Group recording total asset balances of RM3.0 billion, net working capital of RM266.5 million and current ratio of 1.3 at the end of the current period.

The Group's cash and bank balances remained strong at RM617.1 million with an order book of RM2.5 billion as of 30 September 2021 to sustain the Group's business and withstand the challenging economic conditions amidst the lingering pandemic.

**COVID-19 health and safety measures**

As the country reached its herd immunity target and in line with the National Recovery Plan on COVID-19 crisis, the Group resumed operations at full capacity since September 2021 whilst continuing to comply with SOP requirements including close monitoring of employees, subcontractors and visitors coming into the yard. To minimise the risks of infection, the non-operations staff are still on rotational arrangement of working from home until such time when the State Government announces further relaxation of rules.