

**QUARTERLY REPORT**

This is a quarterly report on consolidated results for the year ended 31 December 2021  
 The figures have not been audited.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021**

	QUARTER ENDED		YEAR ENDED	
	31 DEC 2021	31 DEC 2020	31 DEC 2021	31 DEC 2020
	RM '000	RM '000	RM '000	RM '000
Revenue	432,009	695,544	1,467,316	1,566,750
Other operating (expenses)/income	(1,728)	76	15,735	1,632
Operating loss	(103,867)	(8,140)	(252,192)	(100,211)
Impairment loss	(1,146)	-	(9,010)	(300,000)
Finance cost	(3,691)	(911)	(12,938)	(911)
Share of results of joint ventures	-	(189)	-	(189)
Loss before taxation	(108,704)	(9,240)	(274,140)	(401,311)
Taxation	-	326	-	25
Loss after taxation	(108,704)	(8,914)	(274,140)	(401,286)
<b>Other comprehensive income/(loss):</b>				
Fair value through other comprehensive income:				
Changes in fair value of hedging derivatives	468	(10,427)	15,844	(14,449)
<b>Total comprehensive loss for the period/year</b>	<b>(108,236)</b>	<b>(19,341)</b>	<b>(258,296)</b>	<b>(415,735)</b>
<b>Loss attributable to:</b>				
Equity holders of the Company	(107,794)	(8,557)	(270,406)	(396,804)
Non-controlling interests	(910)	(357)	(3,734)	(4,482)
	<b>(108,704)</b>	<b>(8,914)</b>	<b>(274,140)</b>	<b>(401,286)</b>
<b>Total comprehensive loss attributable to:</b>				
Equity holders of the Company	(107,326)	(18,984)	(254,562)	(411,253)
Non-controlling interests	(910)	(357)	(3,734)	(4,482)
	<b>(108,236)</b>	<b>(19,341)</b>	<b>(258,296)</b>	<b>(415,735)</b>
Loss per share attributable to equity holders of the Company:				
(i) Basic (sen)	(6.7)	(0.5)	(16.9)	(24.8)
(ii) Dilutive (sen)	(6.7)	(0.5)	(16.9)	(24.8)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021**

	31 DEC 2021 RM '000	31 DEC 2020 RM '000
<b>Non-current assets</b>		
Property, plant and equipment	1,524,763	1,579,177
Right-of-use assets	202,747	216,406
Investment in joint ventures	8,907	8,907
Deferred tax assets	93,293	93,293
Trade & other receivables	522	-
	<u>1,830,232</u>	<u>1,897,783</u>
<b>Current assets</b>		
Inventories	3,608	4,877
Trade & other receivables	831,798	591,728
Tax recoverable	204	909
Cash and bank balances	709,913	651,054
Asset held for sale	14,312	-
	<u>1,559,835</u>	<u>1,248,568</u>
<b>TOTAL ASSETS</b>	<u><b>3,390,067</b></u>	<u><b>3,146,351</b></u>
<b>Equity attributable to equity holders of the Company</b>		
Share capital	1,618,263	1,618,263
Cash flow hedge reserve	(165)	(16,009)
Retained earnings	88,355	358,761
	<u>1,706,453</u>	<u>1,961,015</u>
Non-controlling interests	954	4,688
<b>Total equity</b>	<u>1,707,407</u>	<u>1,965,703</u>
<b>Non-current liabilities</b>		
Borrowing	335,100	228,537
Derivatives	-	7,573
Lease liabilities	-	6,854
	<u>335,100</u>	<u>242,964</u>
<b>Current liabilities</b>		
Trade & other payables	1,307,399	904,276
Borrowing	34,536	19,859
Lease liabilities	924	1,878
Derivatives	4,701	11,671
	<u>1,347,560</u>	<u>937,684</u>
<b>Total liabilities</b>	<u>1,682,660</u>	<u>1,180,648</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>3,390,067</b></u>	<u><b>3,146,351</b></u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021**

	<b>31 DEC 2021</b>	<b>31 DEC 2020</b>
	<b>RM '000</b>	<b>RM '000</b>
Loss before taxation	(274,140)	(401,311)
Adjustments for:		
Property, plant and equipment		
- depreciation	78,954	65,577
- write offs	240	15
- impairment loss	9,010	297,708
Right-of-use assets		
- amortisation	8,697	9,461
- impairment loss	-	2,292
- loss on lease modification	971	-
- gain on lease termination	(1,821)	-
Net allowance for impairment loss on trade receivables	5,099	16,042
Interest income	(14,359)	(13,465)
Net unrealised (gain)/loss on foreign exchange	(5,098)	1,467
Changes in fair value of hedging derivatives	1,301	3,235
Finance cost	12,938	911
Share of results of joint ventures	-	189
Operating loss before working capital changes	<u>(178,208)</u>	<u>(17,879)</u>
Inventories	1,269	(518)
Trade and other receivables	(260,074)	(105,340)
Trade and other payables	<u>423,264</u>	<u>259,932</u>
Cash (used in)/generated from operations	(13,749)	136,195
Tax paid	(9)	(133)
Tax refund	<u>53</u>	<u>-</u>
Net cash (used in)/generated from operating activities	<u>(13,705)</u>	<u>136,062</u>
Purchase of property, plant and equipment	(48,102)	(230,017)
Interest received	<u>14,359</u>	<u>13,465</u>
Net cash used in investing activities	<u>(33,743)</u>	<u>(216,552)</u>
Drawdown on long term borrowings	149,685	69,525
Payment of principal on long term borrowings	(28,445)	-
Interest paid on long term borrowings	(12,567)	(9,320)
Interest paid on lease liabilities	(371)	(545)
Payment of principal portion of lease liabilities	<u>(1,995)</u>	<u>(2,030)</u>
Net cash generated from financing activities	<u>106,307</u>	<u>57,630</u>
Net change in cash & cash equivalents	58,859	(22,860)
Cash & cash equivalents at the beginning of the year	638,872	661,732
<b>Cash &amp; cash equivalents at the end of the year</b>	<b><u>697,731</u></b>	<b><u>638,872</u></b>
Cash at banks and in hand	90,117	63,592
IFSSC bank balance	402,167	300,233
Deposits with licensed banks	<u>217,629</u>	<u>287,229</u>
	709,913	651,054
Less: Cash pledged with the bank - restricted	<u>(12,182)</u>	<u>(12,182)</u>
	<b><u>697,731</u></b>	<b><u>638,872</u></b>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	←-----Attributable to equity----->			Total RM '000	Non-controlling Interests RM '000	Total Equity RM '000
	Share Capital RM '000	Distributable Retained Earnings RM '000	Fair Value through OCI Reserve RM '000			
<b>12 MONTHS ENDED 31 DECEMBER 2021</b>						
At 1 January 2021	1,618,263	358,761	(16,009)	1,961,015	4,688	1,965,703
Total comprehensive (loss)/income	-	(270,406)	15,844	(254,562)	(3,734)	(258,296)
<b>At 31 DECEMBER 2021</b>	<b>1,618,263</b>	<b>88,355</b>	<b>(165)</b>	<b>1,706,453</b>	<b>954</b>	<b>1,707,407</b>
<b>12 MONTHS ENDED 31 DECEMBER 2020</b>						
At 1 January 2020	1,618,263	755,565	(1,560)	2,372,268	9,170	2,381,438
Total comprehensive loss	-	(396,804)	(14,449)	(411,253)	(4,482)	(415,735)
<b>At 31 DECEMBER 2020</b>	<b>1,618,263</b>	<b>358,761</b>	<b>(16,009)</b>	<b>1,961,015</b>	<b>4,688</b>	<b>1,965,703</b>

## **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 10 February 2022.

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

These unaudited condensed consolidated interim financial statements for the year ended 31 December 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 year 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 year other than as disclosed in the condensed consolidated statement of comprehensive income.

**A8. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES**

There were no issuance or repayment of debt and equity securities made by the Group during the year ended 31 December 2021.

**A9. INTEREST BEARING LOANS AND BORROWINGS**

The tenure of Group borrowings are as follows:

	31 Dec 2021 RM '000	31 Dec 2020 RM '000
Secured - Term Loan		
Current	34,536	19,859
Non-current	<u>335,100</u>	<u>228,537</u>
	<u>369,636</u>	<u>248,396</u>

The Group made a RM149.7 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 2021.

**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
<b>Revenue</b>					
External	<u>1,217,959</u>	<u>249,357</u>	<u>-</u>	<u>-</u>	<u>1,467,316</u>
<b>Results</b>					
Operating (loss)/profit	<u>(209,132)</u>	<u>(49,390)</u>	<u>6,368</u>	<u>(38) *</u>	<u>(252,192)</u>
Impairment loss					(9,010)
Finance costs					(12,938)
Share of results of joint ventures					-
<b>Loss before taxation</b>					<u>(274,140)</u>

\* Inter-segment transactions are eliminated on consolidation.

**A12. LOSS FOR THE PERIOD/YEAR**

	Quarter Ended		Full year ended	
	31 Dec 2021 RM '000	31 Dec 2020 RM '000	31 Dec 2021 RM '000	31 Dec 2020 RM '000
<b>Loss for the period/year is arrived at after charging:</b>				
Right-of-use assets				
- amortisation	2,098	1,671	8,697	9,461
- impairment loss	-	-	-	2,292
- loss on lease modification	971	-	971	-
Net unrealised loss on foreign exchange	-	444	-	1,467
Changes in fair value of hedging derivatives	4,436	3,234	1,301	3,235
Finance cost	3,691	911	12,938	911
Property, plant and equipment				
- depreciation	22,167	16,566	78,954	65,577
- write offs	240	15	240	15
- impairment loss	1,146	-	9,010	297,708
Net allowance for impairment loss on trade receivables	6,578	3,371	5,099	16,042
<b>after (crediting):</b>				
Net income from scrap disposal	(164)	(3,075)	(2,733)	(6,140)
Interest income	(7,130)	(3,791)	(14,359)	(13,465)
Net unrealised gain on foreign exchange	(2,756)	-	(5,098)	-
Rental income				
- land	(190)	(337)	(950)	(950)
- building	(95)	(137)	(538)	(698)
- equipments	(100)	(120)	(518)	(284)
Gain on lease termination	-	-	(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 year 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 31 December 2021 comprise the following:

	31 Dec 2021 RM '000	31 Dec 2020 RM '000
<b>Unsecured</b>		
Bank guarantees extended to: -		
- Related companies	333,339	287,016
- Third parties	131,990	51,977
	<u>465,329</u>	<u>338,993</u>

**A17. CAPITAL COMMITMENTS**

	31 Dec 2021 RM '000	31 Dec 2020 RM '000
Approved and contracted for	25,853	11,215
Approved but not contracted for	108,081	34,712
	<u>133,934</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		Full year ended	
	31 Dec 2021 RM '000	31 Dec 2020 RM '000	31 Dec 2021 RM '000	31 Dec 2020 RM '000
<b>Revenue</b>				
Heavy Engineering	354,451	594,812	1,217,959	1,204,503
Marine	77,558	100,732	249,357	362,247
	<u>432,009</u>	<u>695,544</u>	<u>1,467,316</u>	<u>1,566,750</u>
<b>Results</b>				
Heavy Engineering	(90,500)	(24,009)	(209,132)	(92,340)
Marine	(17,657)	21,211	(49,390)	(9,064)
Others	4,300	(5,093)	6,368	1,206
Eliminations/Adjustments	(10)	(249)	(38)	(13) *#
<b>Operating loss</b>	<u>(103,867)</u>	<u>(8,140)</u>	<u>(252,192)</u>	<u>(100,211)</u>
Impairment loss	(1,146)	-	(9,010)	(300,000)
Finance cost	(3,691)	(911)	(12,938)	(911)
Share of results of joint ventures	-	(189)	-	(189)
<b>Loss before taxation</b>	<u>(108,704)</u>	<u>(9,240)</u>	<u>(274,140)</u>	<u>(401,311)</u>

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

# Inter-segment operating loss elimination

Heavy Engineering	6	138	21	8
Marine	4	111	17	5

**Performance of current quarter against the quarter ended 31 December 2020 (corresponding quarter).**

The Group posted a revenue of RM432.0 million in the current quarter, RM263.5 million lower compared to the corresponding quarter mainly due to lower revenue from both segments.

At the operating profit level, the Group recorded operating loss of RM103.9 million against an operating loss of RM8.1 million in the corresponding quarter.

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

**Heavy Engineering**

Heavy Engineering segment recorded revenue of RM354.5 million in the current quarter compared to RM594.8 million in the corresponding quarter, mainly due to lower revenue from on-going projects.

The segment posted an operating loss of RM90.5 million in the current quarter against operating loss of RM24.0 million in the corresponding quarter mainly due to additional cost provisions recognised for on-going projects during the current quarter.



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

Revenue of RM77.6 million was RM23.1 million lower compared to RM100.7 million in the corresponding quarter as a result of lower dry-docking activities.

In tandem with the lower revenue, the segment swung to an operating loss of RM17.7 million compared to an operating profit of RM21.2 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 year against financial year ended 31 December 2020 (prior year)**

Group revenue of RM1,467.3 million was RM99.5 million lower than the prior year revenue of RM1,566.8 million mainly contributed by lower revenue from Marine segment.

The Group posted a higher operating loss of RM252.2 million against an operating loss of RM100.2 million in the prior year mainly due to additional cost provisions recognised for on-going projects in the Heavy Engineering segment.

Despite the higher operating loss, the Group's loss before tax was lower at RM274.1 million against RM401.3 million in the prior year. This was mainly due to lower impairment loss of RM9.0 million recognised in the current year compared to RM300.0 million recognised in the prior year. The impairment loss in the current year 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 year is as follows:-

***Heavy Engineering***

The segment reported higher revenue of RM1,218.0 million compared to RM1,204.5 million in the prior year mainly due to higher revenue from an on-going project.

Despite higher revenue, the segment registered a higher operating loss of RM209.1 million against RM92.3 million loss in the prior year mainly contributed by additional cost provisions recognised for on-going projects during the current year.

***Marine***

Revenue of RM249.4 million was RM112.8 million lower than the prior year revenue of RM362.2 million, mainly due to lower dry-docking activities in the current year as a result of the prolonged border restrictions imposed by the Government to curb the COVID-19 pandemic.

In tandem with lower revenue, the segment recorded higher operating loss of RM49.4 million in the current year against operating loss of RM9.1 million in the prior year.

***Share of results of joint ventures***

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

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

	Quarter Ended	
	31 Dec 2021	30 Sep 2021
	RM '000	RM '000
<b>Revenue</b>		
Heavy Engineering	354,451	330,558
Marine	77,558	58,728
	<u>432,009</u>	<u>389,286</u>
<b>Results</b>		
Heavy Engineering	(90,500)	(13,075)
Marine	(17,657)	(9,130)
Others	4,300	2,084
Eliminations/Adjustments	(10)	(41)
<b>Operating loss</b>	<u>(103,867)</u>	<u>(20,162)</u>
Impairment loss	(1,146)	-
Finance cost	(3,691)	(3,434)
Share of results of joint ventures	-	-
<b>Loss before taxation</b>	<u>(108,704)</u>	<u>(23,596)</u>

The Group posted a higher revenue of RM432.0 million against the preceding quarter's revenue of RM389.3 million mainly due to higher revenue from both segments.

Despite the higher revenue, the Group recorded higher operating loss of RM103.9 million compared to preceding quarter's operating loss of RM20.2 million mainly due to additional cost provisions recognised for Heavy Engineering segment's on-going projects.

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

	As at	As at	Variance
	31 Dec 2021	31 Dec 2020	
	RM '000	RM '000	%
Total assets	3,390,067	3,146,351	7.7%
Total equity attributable to equity holders of the Company	1,706,453	1,961,015	-13.0%
Total liabilities	1,682,660	1,180,648	42.5%

The Group's total assets increased by RM243.7 million or 7.7%, mainly due to increase in trade and other receivables and cash and bank balances amounting to RM240.1 million and RM58.9 million respectively.

The decrease in total equity attributable to equity holders by RM254.6 million or 13.0% was due to total comprehensive loss recognised in the current year.

The increase in the Group's total liabilities by RM502.0 million was mainly contributed by increase in trade and other payables and borrowings by RM403.1 million and RM121.2 million respectively.

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

	Full year ended		Variance
	31 Dec 2021	31 Dec 2020	
	RM '000	RM '000	%
Net cash (used in)/generated from operating activities	(13,705)	136,062	>-100%
Net cash used in investing activities	(33,743)	(216,552)	84.4%
Net cash generated from financing activities	106,307	57,630	84.5%
Net change in cash & cash equivalents	58,859	(22,860)	>100%

The Group recorded net cash used in operating activities of RM13.7 million against net cash generated from operating activities of RM136.1 million in the prior year mainly due to higher payments made to vendors compared to collection received from clients during the current year.

Net cash used in investing activities was lower by RM182.8 million contributed by lower capital spending in the current year in line with the completion of the new Dry Dock No. 3.

Net cash generated from financing activities was higher by RM48.7 million mainly due to higher term loan drawdown in the current year.

**B5. CURRENT YEAR PROSPECTS**

The surge of Omicron variant cases globally has caused concerns for the oil and gas industry heading towards 2022. Mini lockdowns to curb infections have already been implemented in several major oil importing countries thus slowing down demand recovery progress. Considering the renewed uncertainty along with the lasting impact of the pandemic and high material prices, oil majors are likely to continue spending modestly. As such, the Group remains cautious on the prospects for heavy engineering segment.

Despite the rise in global gas prices, LNG demand from the Far East remains high and is expected to increase in view of another prolonged winter. The resulting increase in LNG trade will result in more LNG vessel owners deferring dry-docking. This will lead to stiffer competition amongst shipyards for the limited dry-docking opportunities. Considering the continuing border restrictions worldwide, foreign clients will continue to prefer sending their vessels to other countries with more relaxed restrictions. Therefore, the Group expects the marine business to remain challenging.

The Group is focused on replenishing its order book by pursuing business opportunities in new regions and segments. Additionally, the Group continues to prioritise cost management efforts as well as safe execution and timely delivery of ongoing projects.

**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 2021 RM '000	31 Dec 2020 RM '000
Taxation for the year comprises the following:		
Income tax charge		
- current year	-	(25)
	<u>-</u>	<u>(25)</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

**B8. CHANGES IN MATERIAL LITIGATION****i) Malaysia Marine and Heavy Engineering Sdn Bhd (MMHE) and Kebabangan 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 Kebabangan ("KBB") field project. KPOC claims that MMHE 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.

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

- 1) The sum of RM17,241,178 as damages for the 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 date 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 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.

KPOC, in this regard, has filed an application to seek leave from the High Court to register and enforce the Final Award as a Judgement of the High Court.

The Hearing of both applications is scheduled on 11 February 2022.

**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 the Transportation and Installation Works for Topside Float Over for Bokor CPP Project.

Following a full and final settlement reached between MMHE and BMSB, the Arbitral Tribunal had issued an Order dated 15 November 2021 to formally record the termination of the arbitration proceedings.

**B9. DIVIDEND PROPOSED**

No dividend has been proposed for the year ended 31 December 2021.

**B10. DERIVATIVES**

Details of the Group's derivative financial instruments outstanding as at 31 December 2021 are as follows:

	<b>Contract/ Notional Amount as at 31 Dec 2021 (in RM '000)</b>	<b>Fair Value loss (in RM '000)</b>
Forward foreign currency contracts	380,057	(4,701)

During the year, the Group recognised a net unrealised derivatives gain of RM15,844,000 in its equity and derivatives loss of RM1,301,000 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>Full year ended</b>	
	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
Basic loss per share is computed as follows:				
Loss for the period/year attributable to equity holders of the Company (RM '000)	(107,794)	(8,557)	(270,406)	(396,804)
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>(6.7)</u></b>	<b><u>(0.5)</u></b>	<b><u>(16.9)</u></b>	<b><u>(24.8)</u></b>

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

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

COVID-19 continued to severely impact the Group's financial performance mainly due to disruptions in both the Heavy Engineering and Marine segments. On the Heavy Engineering side, the constraints from the "new normal" still had an adverse impact on the operational performance as productivity has yet to return to pre-pandemic levels. The Group is aggressively pursuing recovery from clients for COVID-19 costs in order to mitigate the impact. For Marine segment, even with the recent easing of border restrictions, the segment remains at a disadvantage compared to the neighbouring yards.

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

Despite negative impact of lower productivity from the COVID-19 SOPs, the Heavy Engineering segment recorded a revenue of RM1,218.0 million, slightly higher than the prior year as one of its main on-going projects progressed further into construction phase. The segment's loss however widened from RM92.3 million in prior year to RM209.1 million in the current year mainly due to the additional cost provisions made for on-going projects due to the extended completion date.

Marine segment continued to record losses from the lower revenue of RM249.4 million in the current year compared to RM362.2 million in the prior year. The segment reported higher operating loss of RM49.4 million against a loss of RM9.1 million in prior year.

With the above performances of the two segments, the Group posted an operating loss of RM252.2 million, RM152.0 million worse off than the prior year.

Notwithstanding the adverse financial results, as at 31 December 2021, the Group's financial position remains healthy with cash and bank balances of RM709.9 million with net assets and orderbook of RM1.7 billion and RM2.2 billion respectively.

**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, 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.