

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 30 June 2022
 The figures have not been audited.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2022

	QUARTER ENDED		CUMULATIVE 6 MONTHS ENDED	
	30 JUN 2022	30 JUN 2021	30 JUN 2022	30 JUN 2021
	RM '000	RM '000	RM '000	RM '000
Revenue	400,632	302,448	818,414	646,021
Other operating income	21,228	2,675	37,113	7,685
Operating profit/(loss)	25,770	(26,290)	32,080	(128,163)
Impairment loss	-	(7,864)	-	(7,864)
Finance cost	(3,566)	(3,110)	(7,183)	(5,813)
Share of results of joint ventures	-	-	-	-
Profit/(Loss) before taxation	22,204	(37,264)	24,897	(141,840)
Taxation	(143)	-	(143)	-
Profit/(Loss) after taxation	22,061	(37,264)	24,754	(141,840)
Other comprehensive income/(loss):				
Fair value through other comprehensive income:				
Changes in fair value of hedging derivatives	2,229	(2,570)	2,399	17,408
Total comprehensive income/(loss) for the period	24,290	(39,834)	27,153	(124,432)
Profit/(Loss) attributable to:				
Equity holders of the Company	21,966	(34,381)	24,689	(138,733)
Non-controlling interests	95	(2,883)	65	(3,107)
	22,061	(37,264)	24,754	(141,840)
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	24,195	(36,951)	27,088	(121,325)
Non-controlling interests	95	(2,883)	65	(3,107)
	24,290	(39,834)	27,153	(124,432)
Profit/(Loss) per share attributable to equity holders of the Company:				
(i) Basic (sen)	1.4	(2.1)	1.5	(8.7)
(ii) Dilutive (sen)	1.4	(2.1)	1.5	(8.7)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	30 JUN 2022 RM '000	31 DEC 2021 RM '000
Non-current assets		
Property, plant and equipment	1,497,928	1,524,763
Right-of-use assets	198,827	202,747
Investment in joint ventures	1,540	8,907
Deferred tax assets	93,293	93,293
Trade receivable	-	467
	<u>1,791,588</u>	<u>1,830,177</u>
Current assets		
Inventories	4,051	3,608
Trade and other receivables	596,043	831,853
Derivatives	4,777	-
Tax recoverable	61	204
Cash and bank balances	953,635	709,913
Asset held for sale	-	14,312
	<u>1,558,567</u>	<u>1,559,890</u>
TOTAL ASSETS	<u>3,350,155</u>	<u>3,390,067</u>
Equity attributable to equity holders of the Company		
Share capital	1,618,263	1,618,263
Cash flow hedge reserve	2,234	(165)
Retained earnings	113,044	88,355
	<u>1,733,541</u>	<u>1,706,453</u>
Non-controlling interests	1,019	954
Total equity	<u>1,734,560</u>	<u>1,707,407</u>
Non-current liabilities		
Borrowing	316,446	335,100
Lease liabilities	274	-
	<u>316,720</u>	<u>335,100</u>
Current liabilities		
Trade and other payables	1,262,844	1,307,399
Borrowing	35,771	34,536
Lease liabilities	90	924
Derivatives	170	4,701
	<u>1,298,875</u>	<u>1,347,560</u>
Total liabilities	<u>1,615,595</u>	<u>1,682,660</u>
TOTAL EQUITY AND LIABILITIES	<u>3,350,155</u>	<u>3,390,067</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2022

	30 JUN 2022	30 JUN 2021
	RM '000	RM '000
Profit/(Loss) before taxation	24,897	(141,840)
Adjustments for:		
Property, plant and equipment		
- depreciation	35,142	36,408
- write offs	145	-
- impairment loss	-	7,864
Right-of-use assets		
- amortisation	4,300	4,390
Net (reversal)/allowance of impairment loss on trade receivables	(13,307)	241
Interest income	(7,929)	(4,851)
Net unrealised gain on foreign exchange	(3,126)	(2,444)
Changes in fair value of hedging derivatives	(6,908)	(628)
Finance cost	7,183	5,813
Operating profit/(loss) before working capital changes	<u>40,397</u>	<u>(95,047)</u>
Inventories	(443)	(27)
Trade and other receivables	249,584	29,329
Trade and other payables	<u>(41,431)</u>	<u>35,602</u>
Cash generated from/(used in) operations	248,107	(30,143)
Tax refund	-	54
Net cash generated from/(used in) operating activities	<u>248,107</u>	<u>(30,089)</u>
Purchase of property, plant and equipment	(8,452)	(65,027)
Net proceeds from disposal of non-current asset held for sale	14,312	-
Interest received	7,929	4,851
Dividend income from joint venture	<u>7,367</u>	<u>-</u>
Net cash generated from/(used in) investing activities	<u>21,156</u>	<u>(60,176)</u>
Drawdown on long term borrowing	-	83,506
Payment of principal on long term borrowing	(17,419)	(12,472)
Interest paid on long term borrowing	(7,170)	(5,573)
Payment of principal portion of lease liabilities	(939)	(1,036)
Interest paid on lease liabilities	<u>(13)</u>	<u>(240)</u>
Net cash (used in)/generated from financing activities	<u>(25,541)</u>	<u>64,185</u>
Net change in cash & cash equivalents	243,722	(26,080)
Cash & cash equivalents at the beginning of the period	697,731	638,872
Cash & cash equivalents at the end of the period	<u>941,453</u>	<u>612,792</u>
Cash at banks and in hand	82,950	96,056
IFSSC bank balance	527,656	380,584
Deposits with licensed banks	<u>343,029</u>	<u>148,334</u>
	953,635	624,974
Less: Cash pledged with the bank - restricted	<u>(12,182)</u>	<u>(12,182)</u>
	<u>941,453</u>	<u>612,792</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2022

	←-----Attributable to equity-----> holders of the Company			Total RM '000	Non-controlling Interests RM '000	Total Equity RM '000
	Share Capital RM '000	Distributable Retained Earnings RM '000	Fair Value through OCI Reserve RM '000			
6 MONTHS ENDED 30 JUNE 2022						
At 1 January 2022	1,618,263	88,355	(165)	1,706,453	954	1,707,407
Total comprehensive income	-	24,689	2,399	27,088	65	27,153
At 30 June 2022	1,618,263	113,044	2,234	1,733,541	1,019	1,734,560
6 MONTHS ENDED 30 JUNE 2021						
At 1 January 2021	1,618,263	358,761	(16,009)	1,961,015	4,688	1,965,703
Total comprehensive income/(loss)	-	(138,733)	17,408	(121,325)	(3,107)	(124,432)
At 30 June 2021	1,618,263	220,028	1,399	1,839,690	1,581	1,841,271

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 16 August 2022.

A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the period ended 30 June 2022 have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements 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 2021.

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 2021.

The audited consolidated financial statements of the Group for the year ended 31 December 2021 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 2022 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 2021.

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 2022

Amendments to MFRS 9: Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)
Amendments to Illustrative Examples accompanying MFRS 16: Leases (Annual Improvements to MFRS Standards 2018-2020)
Amendments to MFRS 3: Business Combinations (Reference to the Conceptual Framework)
Amendments to MFRS 116: Property, Plant and Equipment (Property, Plant and Equipment-Proceeds before Intended Use)
Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts-Cost of Fulfilling a Contract)

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 audited financial statements of the Group for the year ended 31 December 2021 were not subjected to any audit qualification.

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. MATERIAL CHANGES IN ACCOUNTING ESTIMATES

There were no material changes in estimates of the amounts reported in the most recent audited financial statements of the Group for the year ended 31 December 2021 that may have a material effect in the current quarter results.

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 2022.

A9. INTEREST BEARING LOANS AND BORROWINGS

The tenure of Group borrowings are as follows:

	30 Jun 2022 RM '000	31 Dec 2021 RM '000
Secured - Term Loan		
Current	35,771	34,536
Non-current	316,446	335,100
	<u>352,217</u>	<u>369,636</u>

A10. DIVIDEND PAID

The company has not paid any dividends during the period ended 30 June 2022.

A11. SEGMENT REPORT

Segmental analysis for the current financial period is as follows:

	Heavy Engineering RM '000	Marine RM '000	Others RM '000	Eliminations RM '000	Total RM '000
REVENUE AND RESULTS					
Revenue					
External	668,285	150,129	-	-	818,414
Results					
Operating profit/(loss)	4,042	22,652	5,404	(18) *	32,080
Finance costs					(7,183)
Share of results of joint ventures					-
Profit before taxation					<u>24,897</u>

* Inter-segment transactions are eliminated on consolidation.

A12. PROFIT/(LOSS) FOR THE PERIOD

	Quarter Ended		Cumulative 6 Months Ended	
	30 Jun 2022 RM '000	30 Jun 2021 RM '000	30 Jun 2022 RM '000	30 Jun 2021 RM '000
Profit/(Loss) for the period is arrived at after charging:				
Property, plant and equipment				
- depreciation	17,681	18,274	35,142	36,408
- write offs	145	-	145	-
- impairment loss	-	7,864	-	7,864
Right-of-use assets				
- amortisation	2,150	2,449	4,300	4,390
Finance cost	3,566	3,110	7,183	5,813
Net allowance for impairment loss on trade receivables	-	1,175	-	241
Rental expenses				
- Plant and machineries	9,877	3,810	21,213	7,967
- Office equipment	782	635	1,680	1,643
- Transportation	1,595	1,267	2,738	2,352
- Others	25	69	93	103

A12. PROFIT/(LOSS) FOR THE PERIOD (CONT'D.)

	Quarter Ended		Cumulative 6 Months Ended	
	30 Jun 2022 RM '000	30 Jun 2021 RM '000	30 Jun 2022 RM '000	30 Jun 2021 RM '000
Profit/(Loss) for the period is arrived at after (crediting):				
Net income from scrap disposal	(222)	(1,347)	(541)	(2,215)
Interest income	(4,299)	(2,299)	(7,929)	(4,851)
Changes in fair value of hedging derivatives	(5,420)	(418)	(6,908)	(628)
Net unrealised gain on foreign exchange	(4,681)	(690)	(3,126)	(2,444)
Net reversal of impairment loss on trade receivables	(3,907)	-	(13,307)	-
Rental income				
- land	(20)	(141)	(258)	(469)
- building	(559)	(17)	(787)	(247)
- equipments	(90)	(37)	(541)	(126)

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 2021.

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. DISCONTINUED OPERATIONS

There were no discontinued operations in the Group during the period under review.

A17. CONTINGENT LIABILITIES

Contingent liabilities of the Group as at 30 June 2022 comprise the following:

	30 Jun 2022 RM '000	31 Dec 2021 RM '000
Unsecured		
Bank guarantees extended to: -		
- Related companies	331,027	333,339
- Third parties	133,060	131,990
	<u>464,087</u>	<u>465,329</u>

A18. CAPITAL COMMITMENTS

	30 Jun 2022 RM '000	31 Dec 2021 RM '000
Approved and contracted for	50,339	25,853
Approved but not contracted for	67,464	108,081
	<u>117,803</u>	<u>133,934</u>

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

A19. FAIR VALUE HIERARCHY

The Group uses the following hierarchy to determine the fair value of all financial instruments carried at fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2 - Inputs that are based on observable market data, either directly or indirectly

Level 3 - Inputs that are not based on observable market data

As at the reporting date, the Group held the following financial asset and liability:

	Fair value of asset carried at fair value			Total RM '000	
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000		
At 30 June 2022					
Non-financial asset					
Non-current asset classified as held for sale	-	-	-	-	
At 31 Dec 2021					
Non-financial asset					
Non-current asset classified as held for sale	-	-	14,312	14,312	
Fair value of financial instruments not carried at fair value					
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	Total RM '000	Carrying amount RM '000
At 30 June 2022					
Financial liability					
Term loan - fixed rate	-	385,115	-	385,115	352,217
At 31 Dec 2021					
Financial liability					
Term loan - fixed rate	-	409,339	-	409,339	369,636

A20. RELATED PARTY TRANSACTIONS

There were no significant transactions with related parties in addition to the related party transactions disclosed in the audited consolidated financial statements of the Group for the year ended 31 December 2021.

B1. REVIEW OF PERFORMANCE

	Quarter Ended		Cumulative 6 Months Ended	
	30 Jun 2022 RM '000	30 Jun 2021 RM '000	30 Jun 2022 RM '000	30 Jun 2021 RM '000
Revenue				
Heavy Engineering	309,910	228,796	668,285	532,950
Marine	90,722	73,652	150,129	113,071
	<u>400,632</u>	<u>302,448</u>	<u>818,414</u>	<u>646,021</u>
Results				
Heavy Engineering	1,131	(20,423)	4,042	(105,557)
Marine	18,976	(4,925)	22,652	(22,603)
Others	5,681	(964)	5,404	(16)
Eliminations/Adjustments	(18)	22	(18)	13
Operating profit/(loss)	<u>25,770</u>	<u>(26,290)</u>	<u>32,080</u>	<u>(128,163)</u>
Impairment loss	-	(7,864)	-	(7,864)
Finance cost	(3,566)	(3,110)	(7,183)	(5,813)
Share of results of joint ventures	-	-	-	-
Profit/(Loss) before taxation	<u>22,204</u>	<u>(37,264)</u>	<u>24,897</u>	<u>(141,840)</u>

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

B1. REVIEW OF PERFORMANCE (CONT'D.)**Performance of current quarter against the quarter ended 30 June 2021 (corresponding quarter).**

The Group posted a revenue of RM400.6 million in the current quarter, RM98.2 million higher compared to the corresponding quarter mainly due to higher revenue from both segments.

At the operating profit level, the Group recorded an operating profit of RM25.8 million against an operating loss of RM26.3 million in the corresponding quarter.

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

Heavy Engineering

Heavy Engineering segment recorded revenue of RM309.9 million in the current quarter compared to RM228.8 million in the corresponding quarter, mainly due to higher revenue from an on-going project.

The segment posted an operating profit of RM1.1 million in the current quarter, a turnaround from the operating loss of RM20.4 million in Quarter 2, FY2021 as the corresponding quarter was impacted by cost provisions associated with the COVID-19 pandemic. The improved financial performance was also contributed by the reversal of cost provisions for post sail-away projects in the current quarter.

Marine

Revenue of RM90.7 million was RM17.0 million higher compared to RM73.7 million in the corresponding quarter as a result of higher dry-docking activities.

The segment's current quarter operating results swung to a profit of RM19.0 million against a loss of RM4.9 million in the corresponding quarter as the dry-docking activities picked-up in the current quarter after the re-opening of borders. The recovery of doubtful debts had also contributed to the positive results of the current 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 2021 (prior period)

Group revenue of RM818.4 million was RM172.4 million higher than the prior period revenue of RM646.0 million contributed by higher revenue from both segments.

The Group posted an operating profit of RM32.1 million in the current period against an operating loss of RM128.2 million in the prior period as the latter was impacted by cost provisions associated with the COVID-19 pandemic.

Consequently, the Group recorded a profit before tax of RM24.9 million, a turnaround from the loss before tax of RM141.8 million reported in the prior period.

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

Heavy Engineering

The segment reported higher revenue of RM668.3 million compared to RM533.0 million in the prior period mainly due to higher revenue from an on-going project.

At the operating profit level, the segment turned to a profit of RM4.0 million against RM105.6 million loss in the prior period which had been impacted by additional cost provisions recognised for on-going projects. The improved current period's financial performance was also contributed by the reversal of cost provisions for post sail-away projects coupled with the partial recovery of COVID-19 claims.

Marine

Revenue of RM150.1 million was RM37.0 million higher than the prior period revenue of RM113.1 million, mainly due to higher dry-docking activities.

The segment achieved a turnaround from RM22.6 million operating loss in the prior period to a profit of RM22.7 million mainly due to reversal of impairment loss on trade receivables as the doubtful debts were recovered in the current period coupled with higher contribution from the increase in the segment's revenue.

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 2022	31 Mar 2022
	RM '000	RM '000
Revenue		
Heavy Engineering	309,910	358,375
Marine	90,722	59,407
	<u>400,632</u>	<u>417,782</u>
Results		
Heavy Engineering	1,131	2,911
Marine	18,976	3,676
Others	5,681	(277)
Eliminations/Adjustments	(18)	-
Operating profit	<u>25,770</u>	<u>6,310</u>
Impairment loss	-	-
Finance cost	(3,566)	(3,617)
Share of results of joint ventures	-	-
Profit before taxation	<u>22,204</u>	<u>2,693</u>

The Group posted a lower revenue of RM400.6 million against the preceding quarter's revenue of RM417.8 million mainly due to lower revenue from the Heavy Engineering segment.

Despite the lower revenue, the Group recorded an operating profit of RM25.8 million compared to the preceding quarter's operating profit of RM6.3 million. The improved performance was mainly contributed by reversal of cost provision for post sail-away projects as well as higher contribution from the Marine segment in the current quarter.

B3. REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at	As at	Variance
	30 Jun 2022	31 Dec 2021	
	RM '000	RM '000	%
Total assets	3,350,155	3,390,067	-1.2%
Total equity attributable to equity holders of the Company	1,733,541	1,706,453	1.6%
Total liabilities	1,615,595	1,682,660	-4.0%

The Group's total assets decreased by RM39.9 million or 1.2%, mainly due to decrease in trade and other receivables, property, plant and equipment and investment in joint ventures amounting to RM235.8 million, RM26.8 million and RM7.4 million respectively. These amounts were partially offset with increase in cash and bank balances amounting to RM243.7 million.

The increase in total equity attributable to equity holders by RM27.1 million or 1.6% was due to total comprehensive income recognised in the current period.

The decrease in the Group's total liabilities by RM67.1 million was mainly contributed by decrease in trade and other payables and borrowing amounting to RM44.6 million and RM17.4 million respectively.

B4. REVIEW OF CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative 6 Months Ended		Variance
	30 Jun 2022	30 Jun 2021	
	RM '000	RM '000	%
Net cash generated from/(used in) operating activities	248,107	(30,089)	>100%
Net cash generated from/(used in) investing activities	21,156	(60,176)	>100%
Net cash (used in)/generated from financing activities	(25,541)	64,185	<100%
Net change in cash & cash equivalents	243,722	(26,080)	>100%

The Group recorded net cash generated from operating activities of RM248.1 million against net cash used in operating activities of RM30.1 million in the prior period mainly due to higher collection received from clients during the current period.

The Group recorded net cash generated from investing activities amounting to RM21.2 million compared to net cash used in investing activities of RM60.2 million in the corresponding period due to lower purchase of property, plant and equipment in the current period coupled with proceeds received from disposal of asset held for sale of RM14.3 million and dividend received from a joint venture amounting to RM7.4 million.

The Group recorded net cash used in financing activities amounting to RM25.5 million against net cash generated from financing activities of RM64.2 million mainly due to no drawdown during the current period coupled with higher repayment of borrowing.

B5. CURRENT YEAR PROSPECTS

High oil prices are likely to persist for the rest of the year with oil demand surpassing supply mainly due to sanctions on Russian oil exports. In light of the high oil prices, capital spending by oil majors is expected to continue to increase. However, prolonged global supply chain disruptions and volatile commodity prices such as steel amidst a sharp rise in global inflation could adversely impact Heavy Engineering business prospects as well as the execution of ongoing projects. Nonetheless, the Group remains cautiously optimistic on the outlook for the Heavy Engineering segment.

The reopening of international borders has augured well for Marine business' recovery. The Group foresees growth in demand for dry-docking activities at its yard as vessel owners gear up for increase in seaborne trade requirements. The continued lockdowns in China have also improved our market share as shipowners opted for alternative shipyards in the region. Nevertheless, the prevalent nationwide labour shortage may limit our ability to take up more jobs and poses significant risks to the timely execution of dry-docking works. Hence, the Group expects the Marine business segment to remain challenging albeit gradually recover in 2022.

The Group maintains a cautious stance on the overall industry outlook, focusing on order book replenishment through capturing business opportunities in new regions and segments. At the same time, the Group continues to focus on cost optimisation while maximising value creation to ensure safe and timely execution of ongoing projects.

B6. PROFIT FORECAST AND PROFIT GUARANTEE

The Group did not provide any profit forecast or profit guarantee in any public document.

B7. TAXATION

	30 Jun 2022 RM '000	30 Jun 2021 RM '000
Taxation for the period comprises the following: the following:		
Income tax charge		
- current period	143	-
- prior period	-	-
Deferred taxation	-	-
	<u>143</u>	<u>-</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**Malaysia Marine and Heavy Engineering Sdn Bhd (MMHE) and Kebabangan Petroleum Operating Company Sdn Bhd (KPOC)**

On 13 March 2019, MMHE received a notice of arbitration from KPOC in relation to claims arising from the Kebabangan ("KBB") field project. KPOC claimed that MMHE was in breach of contract in respect of matters relating to supply of certain valves. The valves procured by MMHE were claimed to be defective and that KPOC 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"), the Arbitral Tribunal has ordered that MMHE shall pay KPOC the following:-

- a) 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;
- b) 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
- c) The sum of RM1,029,167 for its legal fees and expenses.

In the Final Award, the Arbitral Tribunal 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 Judgment of the High Court. (collectively, "Applications").

The Applications were fixed for Hearing on 11 February 2022 during which the Judge ordered for the matter to be heard in a single session, on 15 April 2022.

B8. CHANGES IN MATERIAL LITIGATION (CONT'D.)**Malaysia Marine and Heavy Engineering Sdn Bhd (MMHE) and Kebabangan Petroleum Operating Company Sdn Bhd (KPOC) (Cont'd.)**

The Hearing proceeded on 15 April 2022 as scheduled but could not be completed. The matter was scheduled for continued Hearing on 20 May 2022, at which point, oral submissions were completed.

The matter was then scheduled for Clarification on 24 June 2022 but was postponed to 21 July 2022. The matter has now been fixed for further Clarification or Decision on 30 August 2022.

B9. DIVIDEND PROPOSED

No dividend has been proposed for the period ended 30 June 2022.

B10. DERIVATIVES

Details of the Group's derivative financial instruments outstanding as at 30 June 2022 are as follows:

	Contract/ Notional Amount as at 30 Jun 2022 (in RM '000)	Fair Value gain (in RM '000)
Forward foreign currency contracts	350,512	4,607

During the period, the Group recognised a net unrealised derivatives gain of RM2,399,000 in its equity and derivatives gain of RM6,908,000 in profit or loss for the effective and ineffective portion respectively, in relation to the fair value of the cash flow hedges.

B11. PROFIT/(LOSS) PER SHARE

	Quarter Ended		Cumulative 6 Months Ended	
	30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021
Basic profit/(loss) per share is computed as follows:				
Profit/(Loss) for the period attributable to equity holders of the Company (RM '000)	21,966	(34,381)	24,689	(138,733)
Weighted average number of ordinary shares in issue (thousand)	1,600,000	1,600,000	1,600,000	1,600,000
Basic profit/(loss) per share (sen)	<u>1.4</u>	<u>(2.1)</u>	<u>1.5</u>	<u>(8.7)</u>

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

B12. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

There were no outstanding corporate proposals submitted by the Group for the quarter ended 30 June 2022.

B13. TRADE AND OTHER RECEIVABLES

	30 Jun 2022	31 Dec 2021
	RM '000	RM '000
Non-Current		
Trade receivable		
Third party	-	467
Current		
Trade receivables		
Third parties	234,962	267,601
Related companies	5,397	24,023
Amount due from customers on contracts	372,178	577,131
	<u>612,537</u>	<u>868,755</u>
Other receivables	26,709	19,244
Less: Allowance for impairment losses	<u>(43,203)</u>	<u>(56,146)</u>
	<u>596,043</u>	<u>831,853</u>
Trade and other receivables	<u><u>596,043</u></u>	<u><u>832,320</u></u>

Credit terms of trade and other receivables for the Group, including trade receivables from related companies and amounts due from joint venture range from 30 days to 45 days.

The ageing of trade receivables (excluding amount due from customers on contracts) as at reporting date are as follows:

	30 Jun 2022	31 Dec 2021
	RM '000	RM '000
Neither past due nor impaired	192,676	229,915
1 to 30 days past due not impaired	3,705	2,642
31 to 60 days past due not impaired	5,022	7,074
61 to 90 days past due not impaired	307	123
More than 90 days past due not impaired	2,731	1,923
	<u>204,441</u>	<u>241,677</u>
Impaired	<u>35,918</u>	<u>50,414</u>
Trade receivables, net	<u><u>240,359</u></u>	<u><u>292,091</u></u>