

QUARTERLY REPORT

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

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

	QUARTER ENDED		CUMULATIVE 9 MONTHS ENDED	
	30 SEP 2022	30 SEP 2021	30 SEP 2022	30 SEP 2021
	RM '000	RM '000	RM '000	RM '000
Revenue	409,227	389,286	1,227,641	1,035,307
Other operating income	16,382	9,778	53,495	17,463
Operating profit/(loss)	19,056	(20,162)	51,136	(148,325)
Impairment loss	-	-	-	(7,864)
Finance cost	(3,550)	(3,434)	(10,733)	(9,247)
Share of results of joint ventures	-	-	-	-
Profit/(Loss) before taxation	15,506	(23,596)	40,403	(165,436)
Taxation	230	-	87	-
Profit/(Loss) after taxation	15,736	(23,596)	40,490	(165,436)
Other comprehensive income/(loss):				
Fair value through other comprehensive income:				
Changes in fair value of hedging derivatives	4,181	(2,032)	6,580	15,376
Total comprehensive income/(loss) for the period	19,917	(25,628)	47,070	(150,060)
Profit/(Loss) attributable to:				
Equity holders of the Company	15,945	(23,879)	40,634	(162,612)
Non-controlling interests	(209)	283	(144)	(2,824)
	15,736	(23,596)	40,490	(165,436)
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	20,126	(25,911)	47,214	(147,236)
Non-controlling interests	(209)	283	(144)	(2,824)
	19,917	(25,628)	47,070	(150,060)
Profit/(Loss) per share attributable to equity holders of the Company:				
(i) Basic (sen)	1.0	(1.5)	2.5	(10.2)
(ii) Dilutive (sen)	1.0	(1.5)	2.5	(10.2)

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

	30 SEP 2022 RM '000	31 DEC 2021 RM '000
Non-current assets		
Property, plant and equipment	1,489,260	1,524,763
Right-of-use assets	202,221	202,747
Investment in joint ventures	1,540	8,907
Deferred tax assets	93,293	93,293
Trade receivable	-	467
	<u>1,786,314</u>	<u>1,830,177</u>
Current assets		
Inventories	2,490	3,608
Trade and other receivables	723,469	831,853
Derivatives	10,868	-
Tax recoverable	720	204
Cash and bank balances	862,426	709,913
Asset held for sale	-	14,312
	<u>1,599,973</u>	<u>1,559,890</u>
TOTAL ASSETS	<u>3,386,287</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	6,415	(165)
Retained earnings	128,989	88,355
	<u>1,753,667</u>	<u>1,706,453</u>
Non-controlling interests	810	954
Total equity	<u>1,754,477</u>	<u>1,707,407</u>
Non-current liabilities		
Borrowing	307,304	335,100
Lease liabilities	4,840	-
	<u>312,144</u>	<u>335,100</u>
Current liabilities		
Trade and other payables	1,282,714	1,307,399
Borrowing	36,131	34,536
Lease liabilities	821	924
Derivatives	-	4,701
	<u>1,319,666</u>	<u>1,347,560</u>
Total liabilities	<u>1,631,810</u>	<u>1,682,660</u>
TOTAL EQUITY AND LIABILITIES	<u>3,386,287</u>	<u>3,390,067</u>

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

	30 SEP 2022	30 SEP 2021
	RM '000	RM '000
Profit/(Loss) before taxation	40,403	(165,436)
Adjustments for:		
Property, plant and equipment		
- depreciation	52,906	56,787
- write-offs	232	-
- impairment loss	-	7,864
Right-of-use assets		
- amortisation	6,232	6,599
- gain on lease termination	-	(1,821)
Net reversal of impairment loss on trade receivables	(17,725)	(1,479)
Interest income	(13,083)	(7,229)
Net unrealised gain on foreign exchange	(2,979)	(2,342)
Changes in fair value of hedging derivatives	(8,989)	(3,135)
Finance cost	10,733	9,247
Operating profit/(loss) before working capital changes	<u>67,730</u>	<u>(100,945)</u>
Inventories	1,118	568
Trade and other receivables	126,575	86,636
Trade and other payables	(21,705)	(80,210)
Cash generated/(used in) from operations	<u>173,718</u>	<u>(93,951)</u>
Tax paid	(429)	-
Tax refund	-	45
Net cash generated from/(used in) from operating activities	<u>173,289</u>	<u>(93,906)</u>
Purchase of property, plant and equipment	(17,635)	(38,848)
Net proceeds from disposal of non-current asset held for sale	14,312	-
Interest received	13,083	7,229
Dividend income from joint venture	7,367	-
Net cash generated from/(used in) investing activities	<u>17,127</u>	<u>(31,619)</u>
Drawdown on long term borrowing	-	121,915
Payment of principal on long term borrowing	(26,201)	(19,548)
Interest paid on long term borrowing	(10,682)	(8,895)
Payment of principal portion of lease liabilities	(969)	(1,538)
Interest paid on lease liabilities	(51)	(352)
Net cash (used in)/generated from financing activities	<u>(37,903)</u>	<u>91,582</u>
Net change in cash & cash equivalents	152,513	(33,943)
Cash & cash equivalents at the beginning of the period	697,731	638,872
Cash & cash equivalents at the end of the period	<u>850,244</u>	<u>604,929</u>
Cash at banks and in hand	65,733	43,211
IFSSC bank balance	569,164	400,866
Deposits with licensed banks	<u>227,529</u>	<u>173,034</u>
	862,426	617,111
Less: Cash pledged with the bank - restricted	<u>(12,182)</u>	<u>(12,182)</u>
	<u>850,244</u>	<u>604,929</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 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			
9 MONTHS ENDED 30 SEPTEMBER 2022						
At 1 January 2022	1,618,263	88,355	(165)	1,706,453	954	1,707,407
Total comprehensive income/(loss)	-	40,634	6,580	47,214	(144)	47,070
At 30 September 2022	1,618,263	128,989	6,415	1,753,667	810	1,754,477
9 MONTHS ENDED 30 SEPTEMBER 2021						
At 1 January 2021	1,618,263	358,761	(16,009)	1,961,015	4,688	1,965,703
Total comprehensive income/(loss)	-	(162,612)	15,376	(147,236)	(2,824)	(150,060)
At 30 September 2021	1,618,263	196,149	(633)	1,813,779	1,864	1,815,643

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 9 November 2022.

A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the period ended 30 September 2022 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 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 September 2022.

A9. INTEREST BEARING LOAN AND BORROWING

The tenure of Group borrowing is as follows:

	30 Sep 2022 RM '000	31 Dec 2021 RM '000
Secured - Term Loan		
Current	36,131	34,536
Non-current	307,304	335,100
	<u>343,435</u>	<u>369,636</u>

A10. DIVIDEND PAID

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

A11. SEGMENT REPORT

Segmental analysis for the current financial period is as follows:

REVENUE AND RESULTS	Heavy Engineering RM '000	Marine RM '000	Others RM '000	Eliminations RM '000	Total RM '000
Revenue					
External	<u>988,385</u>	<u>239,256</u>	<u>-</u>	<u>-</u>	<u>1,227,641</u>
Results					
Operating profit	<u>5,458</u>	<u>39,622</u>	<u>6,084</u>	<u>(28) *</u>	<u>51,136</u>
Finance costs					(10,733)
Share of results of joint ventures					-
Profit before taxation					<u>40,403</u>

* Inter-segment transactions are eliminated on consolidation.

A12. PROFIT/(LOSS) FOR THE PERIOD

	Quarter Ended		Cumulative 9 Months Ended	
	30 Sep 2022 RM '000	30 Sep 2021 RM '000	30 Sep 2022 RM '000	30 Sep 2021 RM '000
Profit/(Loss) for the period is arrived at after charging:				
Property, plant and equipment				
- depreciation	17,764	20,379	52,906	56,787
- write-offs	87	-	232	-
- impairment loss	-	-	-	7,864
Right-of-use assets				
- amortisation	1,932	2,209	6,232	6,599
Net unrealised loss on foreign exchange	147	102	-	-
Finance cost	3,550	3,434	10,733	9,247
Rental expenses				
- Plant and machineries	14,238	5,100	35,451	13,067
- Office equipment	1,008	1,173	2,688	2,816
- Transportation	1,543	1,400	4,281	3,751
- Others	165	16	258	119

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

	Quarter Ended		Cumulative 9 Months Ended	
	30 Sep 2022 RM '000	30 Sep 2021 RM '000	30 Sep 2022 RM '000	30 Sep 2021 RM '000
Profit/(Loss) for the period is arrived at after (crediting):				
Net income from scrap disposal	(262)	(354)	(803)	(2,569)
Interest income	(5,154)	(2,378)	(13,083)	(7,229)
Changes in fair value of hedging derivatives	(2,081)	(2,507)	(8,989)	(3,135)
Net unrealised gain on foreign exchange	-	-	(2,979)	(2,342)
Net reversal of impairment loss on trade receivables	(4,418)	(1,720)	(17,725)	(1,479)
Rental income				
- land	(21)	(291)	(279)	(760)
- building	(935)	(196)	(1,722)	(443)
- equipments	(145)	(292)	(686)	(418)
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 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 September 2022 comprise the following:

	30 Sep 2022 RM '000	31 Dec 2021 RM '000
Unsecured		
Bank guarantees extended to: -		
- Related companies	331,016	333,339
- Third parties	167,111	131,990
	<u>498,127</u>	<u>465,329</u>

A18. CAPITAL COMMITMENTS

	30 Sep 2022 RM '000	31 Dec 2021 RM '000
Approved and contracted for	60,318	25,853
Approved but not contracted for	60,908	108,081
	<u>121,226</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 Sep 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 Sep 2022					
Financial liability					
Term loan - fixed rate	-	356,727	-	356,727	343,435
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 9 Months Ended	
	30 Sep 2022 RM '000	30 Sep 2021 RM '000	30 Sep 2022 RM '000	30 Sep 2021 RM '000
Revenue				
Heavy Engineering	320,100	330,558	988,385	863,508
Marine	89,127	58,728	239,256	171,799
	<u>409,227</u>	<u>389,286</u>	<u>1,227,641</u>	<u>1,035,307</u>
Results				
Heavy Engineering	1,416	(13,075)	5,458	(118,632)
Marine	16,970	(9,130)	39,622	(31,733)
Others	680	2,084	6,084	2,068
Eliminations/Adjustments	(10)	(41)	(28)	(28)
Operating profit/(loss)	<u>19,056</u>	<u>(20,162)</u>	<u>51,136</u>	<u>(148,325)</u>
Impairment loss	-	-	-	(7,864)
Finance cost	(3,550)	(3,434)	(10,733)	(9,247)
Share of results of joint ventures	-	-	-	-
Profit/(Loss) before taxation	<u>15,506</u>	<u>(23,596)</u>	<u>40,403</u>	<u>(165,436)</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 September 2021 (corresponding quarter).**

Group revenue of RM409.2 million was RM19.9 million higher compared to the corresponding quarter mainly due to higher revenue from Marine segment.

The Group recorded an operating profit of RM19.1 million against an operating loss of RM20.2 million in the corresponding quarter as a result of both segments recording an operating profit during the current quarter.

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

Heavy Engineering

Heavy Engineering segment recorded revenue of RM320.1 million in the current quarter compared to RM330.6 million in the corresponding quarter, mainly due to lower revenue from an on-going project.

The segment achieved an operating profit of RM1.4 million in the current quarter against an operating loss of RM13.1 million in the corresponding quarter mainly due to the recovery of COVID-19 claims for an on-going project in the current quarter.

Marine

Revenue of RM89.1 million was RM30.4 million higher compared to RM58.7 million in the corresponding quarter as a result of higher dry-docking activities.

In tandem with the higher revenue, the segment posted an operating profit of RM17.0 million in the current quarter, a turnaround from the operating loss of RM9.1 million in the corresponding quarter mainly contributed by the recovery in dry-docking activities since the reopening of borders on 1 April this year.

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 2021 (prior period)

The Group recorded a revenue of RM1,227.6 million in the current period, RM192.3 million higher than the prior period revenue of RM1,035.3 million contributed by higher revenue from both segments.

At the operating profit level, the Group posted an operating profit of RM51.1 million in the current period against an operating loss of RM148.3 million in the prior period as the latter was mainly impacted by additional cost provisions recognised for an on-going Heavy Engineering project.

Consequently, the Group reported a profit before tax of RM40.4 million, a turnaround from the loss before tax of RM165.4 million reported in the prior period.

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

Heavy Engineering

Revenue of RM988.4 million was RM124.9 million higher than the prior period revenue of RM863.5 million mainly due to higher progress of an on-going project.

The segment's current period operating results turned to a profit of RM5.5 million against an operating loss of RM118.6 million as the prior period had been mainly impacted by additional cost provisions recognised for an on-going project. The improved current period's financial performance was also contributed by the recovery of COVID-19 claims coupled with the reversal of cost provisions for both on-going and post sail-away projects.

Marine

The segment posted a revenue of RM239.3 million in the current period, RM67.5 million higher than the prior period revenue of RM171.8 million, mainly due to higher dry-docking activities since the reopening of borders on 1 April this year.

The segment reported an operating profit of RM39.6 million in the current period against an operating loss of RM31.7 million in the prior period mainly due to higher contribution from the increase in the segment's revenue coupled with the reversal of impairment loss on trade receivables as doubtful debts were recovered in the current 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 2022 RM '000	30 Jun 2022 RM '000
Revenue		
Heavy Engineering	320,100	309,910
Marine	89,127	90,722
	<u>409,227</u>	<u>400,632</u>
Results		
Heavy Engineering	1,416	1,131
Marine	16,970	18,976
Others	680	5,681
Eliminations/Adjustments	(10)	(18)
Operating profit	<u>19,056</u>	<u>25,770</u>
Finance cost	(3,550)	(3,566)
Share of results of joint ventures	-	-
Profit before taxation	<u>15,506</u>	<u>22,204</u>

The Group's revenue increased to RM409.2 million against the preceding quarter's revenue of RM400.6 million mainly due to higher revenue from the Heavy Engineering segment.

Despite higher revenue, the Group posted a lower operating profit of RM19.1 million compared to Quarter 2, FY 2022 operating profit of RM25.8 million mainly due to lower foreign exchange gains coupled with lower recovery of doubtful debts for the Marine segment.

B3. REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at	As at	Variance %
	30 Sep 2022 RM '000	31 Dec 2021 RM '000	
Total assets	3,386,287	3,390,067	-0.1%
Total equity attributable to equity holders of the Company	1,753,667	1,706,453	2.8%
Total liabilities	1,631,810	1,682,660	-3.0%

The Group's total assets decreased by RM3.8 million or 0.1%, mainly due to lower trade and other receivables, property, plant and equipment and investment in joint ventures by RM108.4 million, RM35.5 million and RM7.4 million respectively. These amounts were partially offset by an increase in cash and bank balances amounting to RM152.5 million.

Total equity attributable to equity holders rose by RM47.2 million or 2.8% in tandem with total comprehensive income recognised in the current period.

The Group's total liabilities were lower by RM50.9 million mainly contributed by the decrease in borrowing and trade and other payables amounting to RM26.2 million and RM24.7 million respectively.

B4. REVIEW OF CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative 9 Months Ended		Variance %
	30 Sep 2022 RM '000	30 Sep 2021 RM '000	
Net cash generated from/(used in) operating activities	173,289	(93,906)	>100%
Net cash generated from/(used in) investing activities	17,127	(31,619)	>100%
Net cash (used in)/generated from financing activities	(37,903)	91,582	<100%
Net change in cash & cash equivalents	152,513	(33,943)	>100%

The Group recorded net cash generated from operating activities of RM173.3 million against net cash used in operating activities of RM93.9 million in the prior period mainly due to higher collection from clients during the current period.

The Group recorded net cash generated from investing activities amounting to RM17.1 million compared to net cash used in investing activities of RM31.6 million in the corresponding period mainly due to proceeds received from disposal of asset held for sale of RM14.3 million, dividend received from a joint venture amounting to RM7.4 million, higher interest income received coupled with lower purchase of property, plant and equipment during the current period.

The Group recorded net cash used in financing activities amounting to RM37.9 million against net cash generated from financing activities of RM91.6 million mainly due to no drawdown during the current period coupled with higher repayment of borrowing.

B5. CURRENT YEAR PROSPECTS

Oil prices are expected to remain strong following OPEC+'s decision to cut oil production to stabilise the oil market. The Russian invasion of Ukraine has also supported stronger oil prices. As such, capital spending by oil majors is expected to remain steady in the medium to long term. Growth in the renewable energy space also represents opportunities for MHB Group. However, prolonged global supply chain disruptions and rising production costs could still adversely impact Heavy Engineering business prospects. Hence, the Group remains cautiously optimistic on the outlook for the Heavy Engineering segment for the remainder of the year.

The reopening of borders on 1 April has facilitated entry of technical specialists into the yard which had positively impacted Marine operations. This has since contributed to Marine business' significant turnaround this year due to higher dry-docking activities. High global gas prices and robust LNG demand from the Far East is expected to persist in view of the upcoming winter. As this will lead to growth in LNG trade, more vessel owners are anticipated to defer dry-docking and thus create stiffer competition amongst shipyards for the limited dry-docking opportunities. As such, the Group expects Marine business to remain challenging.

The Group aims to replenish its order book by capturing opportunities in both local and international markets including in the renewable energy sector. It continues to prioritise effective cost management and improving project execution and delivery through prudent investment in technology, people, processes, systems, digitalisation and automation.

B6. PROFIT FORECAST AND PROFIT GUARANTEE

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

B7. TAXATION

	30 Sep 2022 RM '000	30 Sep 2021 RM '000
Taxation for the period comprises the following:		
Income tax		
- current period	571	-
- prior period	(658)	-
	<u>(87)</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").

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 Applications were heard by the High Court on 15 April 2022 and 20 May 2022. After the completion of the Hearing, the matter proceeded for Clarification on 21 July 2022.

On 30 August 2022, the High Court allowed MMHE's application to set aside the Final Award pursuant to Section 37 of the Arbitration Act 2005, amongst others, on grounds that there was a breach of the rules of natural justice in connection with the making of the Final Award with costs in favour of MMHE for the sum of RM30,000 and further dismissed KPOC's application for leave to register and enforce the Final Award as a Judgment of the High Court with costs to MMHE of RM10,000.

On 27 September 2022, KPOC lodged Notices of Appeal against the Orders of the High Court dated 30 August 2022.

B9. DIVIDEND PROPOSED

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

B10. DERIVATIVES

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

	Contract/ Notional Amount as at 30 Sep 2022 (in RM '000)	Fair Value gain (in RM '000)
Forward foreign currency contracts	303,933	10,868

During the period, the Group recognised a net unrealised derivatives gain of RM6,580,000 in its equity and derivatives gain of RM8,989,000 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 9 Months Ended	
	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
Basic profit/(loss) per share is computed as follows:				
Profit/(Loss) for the period attributable to equity holders of the Company (RM '000)	15,945	(23,879)	40,634	(162,612)
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>1.0</u>	<u>(1.5)</u>	<u>2.5</u>	<u>(10.2)</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 September 2022.

B13. TRADE AND OTHER RECEIVABLES

	30 Sep 2022 RM '000	31 Dec 2021 RM '000
Non-Current		
Trade receivable		
Third party	-	467
Current		
Trade receivables		
Third parties	226,931	267,601
Related companies	31,642	24,023
Amount due from customers on contracts	<u>475,582</u>	<u>577,131</u>
	734,155	868,755
Other receivables	25,141	19,244
Less: Allowance for impairment losses	<u>(35,827)</u>	<u>(56,146)</u>
	<u>723,469</u>	<u>831,853</u>
Trade and other receivables	<u><u>723,469</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 60 days.

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

	30 Sep 2022 RM '000	31 Dec 2021 RM '000
Neither past due nor impaired	214,083	229,915
1 to 30 days past due not impaired	6,990	2,642
31 to 60 days past due not impaired	2,927	7,074
61 to 90 days past due not impaired	127	123
More than 90 days past due not impaired	<u>1,562</u>	<u>1,923</u>
	225,689	241,677
Impaired	<u>32,884</u>	<u>50,414</u>
Trade receivables	<u><u>258,573</u></u>	<u><u>292,091</u></u>