

QUARTERLY REPORT

This is a quarterly report on consolidated results for the year ended 31 December 2022
 The figures have not been audited.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	QUARTER ENDED		YEAR ENDED	
	31 DEC 2022	31 DEC 2021	31 DEC 2022	31 DEC 2021
	RM '000	RM '000	RM '000	RM '000
Revenue	424,002	432,009	1,651,643	1,467,316
Other operating income/(expenses)	7,470	(1,728)	60,965	15,735
Operating profit/(loss)	9,780	(103,867)	60,916	(252,192)
Impairment loss	-	(1,146)	-	(9,010)
Finance cost	(3,449)	(3,691)	(14,182)	(12,938)
Share of results of joint ventures	-	-	-	-
Profit/(Loss) before taxation	6,331	(108,704)	46,734	(274,140)
Taxation	20,817	-	20,904	-
Profit/(Loss) after taxation	27,148	(108,704)	67,638	(274,140)
Other comprehensive income/(loss):				
Fair value through other comprehensive income:				
Changes in fair value of hedging derivatives	(12,115)	468	(5,535)	15,844
Total comprehensive income/(loss) for the period/year	15,033	(108,236)	62,103	(258,296)
Profit/(Loss) attributable to:				
Equity holders of the Company	27,139	(107,794)	67,773	(270,406)
Non-controlling interests	9	(910)	(135)	(3,734)
	27,148	(108,704)	67,638	(274,140)
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	15,024	(107,326)	62,238	(254,562)
Non-controlling interests	9	(910)	(135)	(3,734)
	15,033	(108,236)	62,103	(258,296)
Profit/(Loss) per share attributable to equity holders of the Company:				
(i) Basic (sen)	1.7	(6.7)	4.2	(16.9)
(ii) Dilutive (sen)	1.7	(6.7)	4.2	(16.9)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	31 DEC 2022 RM '000	31 DEC 2021 RM '000
Non-current assets		
Property, plant and equipment	1,493,445	1,524,763
Right-of-use assets	200,408	202,747
Investment in joint ventures	1,516	8,907
Deferred tax assets	93,293	93,293
Trade receivable	-	467
	<u>1,788,662</u>	<u>1,830,177</u>
Current assets		
Inventories	2,767	3,608
Trade and other receivables	747,977	831,853
Tax recoverable	21,680	204
Cash and bank balances	797,038	709,913
Asset held for sale	-	14,312
	<u>1,569,462</u>	<u>1,559,890</u>
TOTAL ASSETS	<u>3,358,124</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	(5,700)	(165)
Retained earnings	156,128	88,355
	<u>1,768,691</u>	<u>1,706,453</u>
Non-controlling interests	819	954
Total equity	<u>1,769,510</u>	<u>1,707,407</u>
Non-current liabilities		
Borrowing	298,971	335,100
Lease liabilities	4,725	-
	<u>303,696</u>	<u>335,100</u>
Current liabilities		
Trade and other payables	1,241,250	1,307,399
Borrowing	36,216	34,536
Lease liabilities	1,030	924
Derivatives	6,422	4,701
	<u>1,284,918</u>	<u>1,347,560</u>
Total liabilities	<u>1,588,614</u>	<u>1,682,660</u>
TOTAL EQUITY AND LIABILITIES	<u>3,358,124</u>	<u>3,390,067</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	31 DEC 2022	31 DEC 2021
	RM '000	RM '000
Profit/(Loss) before taxation	46,734	(274,140)
Adjustments for:		
Property, plant and equipment		
- depreciation	71,619	78,954
- write-offs	232	240
- impairment loss	-	9,010
Right-of-use assets		
- amortisation	8,251	8,696
- loss on lease modification	-	918
- gain on lease termination	-	(1,768)
Net (reversal)/allowance of impairment loss on trade receivables	(21,213)	5,099
Interest income	(22,216)	(14,359)
Net unrealised loss/(gain) on foreign exchange	1,755	(5,098)
Changes in fair value (gain)/loss of hedging derivatives	(3,813)	1,301
Finance cost	14,182	12,938
Operating profit/(loss) before working capital changes	<u>95,531</u>	<u>(178,209)</u>
Inventories	841	1,269
Trade and other receivables	105,556	(258,398)
Trade and other payables	(67,904)	424,825
Cash generated/(used in) from operations	<u>134,024</u>	<u>(10,513)</u>
Tax paid	(572)	(9)
Tax refund	-	53
Net cash generated from/(used in) from operating activities	<u>133,452</u>	<u>(10,469)</u>
Purchase of property, plant and equipment	(40,533)	(48,102)
Net proceeds from disposal of non-current asset held for sale	14,312	-
Interest received	22,216	10,333
Dividend income from joint venture	7,391	-
Net cash generated from/(used in) investing activities	<u>3,386</u>	<u>(37,769)</u>
Drawdown on long term borrowing	-	149,685
Payment of principal on long term borrowing	(34,450)	(28,445)
Interest paid on long term borrowing	(14,074)	(11,777)
Payment of principal portion of lease liabilities	(1,081)	(1,995)
Interest paid on lease liabilities	(108)	(371)
Net cash (used in)/generated from financing activities	<u>(49,713)</u>	<u>107,097</u>
Net change in cash & cash equivalents	87,125	58,859
Cash & cash equivalents at the beginning of the year	697,731	638,872
Cash & cash equivalents at the end of the year	<u>784,856</u>	<u>697,731</u>
Cash at banks and in hand	75,408	90,117
IFSSC bank balance	593,901	402,167
Deposits with licensed banks	<u>127,729</u>	<u>217,629</u>
	797,038	709,913
Less: Cash pledged with the bank - restricted	<u>(12,182)</u>	<u>(12,182)</u>
	<u>784,856</u>	<u>697,731</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 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			
12 MONTHS ENDED 31 DECEMBER 2022						
At 1 January 2022	1,618,263	88,355	(165)	1,706,453	954	1,707,407
Total comprehensive income/(loss)	-	67,773	(5,535)	62,238	(135)	62,103
At 31 December 2022	1,618,263	156,128	(5,700)	1,768,691	819	1,769,510
12 MONTHS ENDED 31 DECEMBER 2021						
At 1 January 2021	1,618,263	358,761	(16,009)	1,961,015	4,688	1,965,703
Total comprehensive income/(loss)	-	(270,406)	15,844	(254,562)	(3,734)	(258,296)
At 31 December 2021	1,618,263	88,355	(165)	1,706,453	954	1,707,407

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 February 2023.

A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the year ended 31 December 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 year 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 year 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 year ended 31 December 2022.

A9. INTEREST BEARING LOAN AND BORROWING

The tenure of Group borrowing is as follows:

	31 DEC 2022 RM '000	31 Dec 2021 RM '000
Secured - Term Loan		
Current	36,216	34,536
Non-current	<u>298,971</u>	<u>335,100</u>
	<u>335,187</u>	<u>369,636</u>

A10. DIVIDEND PAID

The company has not paid any dividends during the year ended 31 December 2022.

A11. SEGMENT REPORT

Segmental analysis for the current financial year is as follows:

	Heavy Engineering RM '000	Marine RM '000	Others RM '000	Eliminations RM '000	Total RM '000
REVENUE AND RESULTS					
Revenue					
External	<u>1,314,791</u>	<u>336,852</u>	<u>-</u>	<u>-</u>	<u>1,651,643</u>
Results					
Operating profit	<u>(8,700)</u>	<u>61,649</u>	<u>8,005</u>	<u>(38) *</u>	<u>60,916</u>
Finance costs					(14,182)
Share of results of joint ventures					-
Profit before taxation					<u>46,734</u>

* Inter-segment transactions are eliminated on consolidation.

A12. PROFIT/(LOSS) FOR THE PERIOD/YEAR

	Quarter Ended		Year Ended	
	31 Dec 2022 RM '000	31 Dec 2021 RM '000	31 Dec 2022 RM '000	31 Dec 2021 RM '000
Profit/(Loss) for the period/year is arrived at after charging:				
Property, plant and equipment				
- depreciation	18,713	22,167	71,619	78,954
- write-offs	-	240	232	240
- impairment loss	-	1,146	-	9,010
Right-of-use assets				
- amortisation	2,019	2,098	8,251	8,696
- loss on lease modification	-	918	-	918
Net unrealised loss on foreign exchange	4,734	-	1,755	-
Changes in fair value of hedging derivatives	5,176	4,436	-	1,301
Finance cost	3,449	3,691	14,182	12,938
Net allowance for impairment loss on trade receivables	-	6,578	-	5,099
Rental expenses				
- Plant and machineries	10,482	7,981	45,933	21,048
- Office equipment	2,743	625	5,431	3,441
- Transportation	917	806	5,198	4,557
- Others	63	39	321	157

	Quarter Ended		Year Ended	
	31 Dec 2022 RM '000	31 Dec 2021 RM '000	31 Dec 2022 RM '000	31 Dec 2021 RM '000
Profit/(Loss) for the period/year is arrived at after (crediting):				
Net income from scrap disposal	(1,106)	(164)	(1,909)	(2,733)
Interest income	(9,133)	(7,130)	(22,216)	(14,359)
Changes in fair value of hedging derivatives	-	-	(3,813)	-
Net unrealised gain on foreign exchange	-	(2,756)	-	(5,098)
Net reversal of impairment loss on trade receivables	(3,488)	-	(21,213)	-
Rental income				
- land	(822)	(190)	(1,101)	(950)
- building	(49)	(95)	(1,771)	(538)
- equipments	(156)	(100)	(842)	(518)
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 2021.

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. DISCONTINUED OPERATIONS

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

A17. CONTINGENT LIABILITIES

Contingent liabilities of the Group as at 31 December 2022 comprise the following:

	31 Dec 2022 RM '000	31 Dec 2021 RM '000
Unsecured		
Bank guarantees extended to: -		
- Related companies	556,238	333,339
- Third parties	213,211	131,990
	<u>769,449</u>	<u>465,329</u>

A18. CAPITAL COMMITMENTS

	31 Dec 2022 RM '000	31 Dec 2021 RM '000
Approved and contracted for	78,121	25,853
Approved but not contracted for	171,809	108,081
	<u>249,930</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
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	RM '000
At 31 December 2022				
Non-financial asset				
Non-current asset classified as held for sale	-	-	-	-
At 31 December 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			Carrying amount
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	RM '000
At 31 December 2022				
Financial liability				
Term loan				
- fixed rate	-	-	-	335,187
At 31 December 2021				
Financial liability				
Term loan				
- fixed rate	-	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		Year Ended	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	RM '000	RM '000	RM '000	RM '000
Revenue				
Heavy Engineering	326,406	354,451	1,314,791	1,217,959
Marine	97,596	77,558	336,852	249,357
	<u>424,002</u>	<u>432,009</u>	<u>1,651,643</u>	<u>1,467,316</u>
Results				
Heavy Engineering	(14,158)	(90,500)	(8,700)	(209,132)
Marine	22,027	(17,657)	61,649	(49,390)
Others	1,921	4,300	8,005	6,368
Eliminations/Adjustments *	(10)	(10)	(38)	(38)
Operating profit/(loss)	<u>9,780</u>	<u>(103,867)</u>	<u>60,916</u>	<u>(252,192)</u>
Impairment loss	-	(1,146)	-	(9,010)
Finance cost	(3,449)	(3,691)	(14,182)	(12,938)
Share of results of joint ventures	-	-	-	-
Profit/(Loss) before taxation	<u>6,331</u>	<u>(108,704)</u>	<u>46,734</u>	<u>(274,140)</u>

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

Performance of current quarter against the quarter ended 31 December 2021 (corresponding quarter).

Group revenue of RM424.0 million was RM8.0 million lower compared to the corresponding quarter mainly due to lower revenue from Heavy Engineering segment.

At the operating profit level, the Group recorded an operating profit of RM9.8 million against an operating loss of RM103.9 million in the corresponding quarter.

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

Heavy Engineering

Heavy Engineering segment recorded revenue of RM326.4 million in the current quarter compared to RM354.5 million in the corresponding quarter, mainly due to lower revenue from an on-going project.

The segment recorded an operating loss of RM14.2 million in the current quarter against an operating loss of RM90.5 million in Quarter 4, FY 2021 as the corresponding quarter was impacted by additional cost provisions recognised for on-going projects. The improved financial performance was also contributed by the recovery of COVID-19 claims for an on-going project in the current quarter.

Marine

Revenue of RM97.6 million was RM20.0 million higher compared to RM77.6 million in the corresponding quarter as a result of higher dry-docking activities.

In tandem with the higher revenue and recovery of doubtful debts, the segment posted an operating profit of RM22.0 million in the current quarter, a turnaround from the operating loss of RM17.7 million in the corresponding quarter. The latter quarter was also impacted by additional provision for doubtful debts.

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.

B1. REVIEW OF PERFORMANCE (CONT'D.)**Performance of current year against financial year ended 31 December 2021 (prior year)**

The Group recorded a revenue of RM1,651.6 million in the current year, RM184.3 million higher than the prior year revenue of RM1,467.3 million contributed by higher revenue from both segments.

The Group turned to an operating profit of RM60.9 million in the current year against an operating loss of RM252.2 million in the prior year as the latter was mainly impacted by additional cost provisions recognised for on-going Heavy Engineering projects.

Consequently, the Group reported a profit before tax of RM46.7 million, a turnaround from the loss before tax of RM274.1 million reported in the prior year.

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

Heavy Engineering

Revenue of RM1,314.8 million was RM96.8 million higher than the prior year revenue of RM1,218.0 million mainly due to higher progress of an on-going project.

The segment's current year operating loss improved to RM8.7 million compared to the operating loss of RM209.1 million recorded in the prior year driven mainly by the recovery of COVID-19 claims coupled with the reversal of cost provisions for post sail-away projects. Prior year performance had been impacted by additional cost provisions recognised for on-going projects.

Marine

The segment posted a revenue of RM336.9 million in the current year, RM87.5 million higher than the prior year revenue of RM249.4 million, mainly due to higher dry-docking activities since the reopening of borders on 1 April this year.

The segment reported a significant improvement in performance with its turnaround results from an operating loss of RM49.4 million in FY 2021 to an operating profit of RM61.6 million in the current year. This was contributed by the significant increase in revenue and improved margins coupled with the reversal of impairment loss on trade receivables as the doubtful debts were recovered in the current 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 2022 RM '000	30 Sep 2022 RM '000
Revenue		
Heavy Engineering	326,406	320,100
Marine	97,596	89,127
	<u>424,002</u>	<u>409,227</u>
Results		
Heavy Engineering	(14,158)	1,416
Marine	22,027	16,970
Others	1,921	680
Eliminations/Adjustments	(10)	(10)
Operating profit	<u>9,780</u>	<u>19,056</u>
Finance cost	(3,449)	(3,550)
Share of results of joint ventures	-	-
Profit before taxation	<u>6,331</u>	<u>15,506</u>

The Group's revenue increased to RM424.0 million against the preceding quarter's revenue of RM409.2 million mainly due to higher revenue from both segments.

Despite higher revenue, the Group posted a lower operating profit of RM9.8 million compared to the operating profit of RM19.1 million in Quarter 3, FY 2022 mainly due to foreign exchange losses as a result of the strengthening Malaysian Ringgit coupled with lower recovery of COVID-19 claims and lower reversal of cost provisions in the current quarter.

B3. REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at		Variance %
	31 Dec 2022	31 Dec 2021	
	RM '000	RM '000	
Total assets	3,358,124	3,390,067	-0.9%
Total equity attributable to equity holders of the Company	1,768,691	1,706,453	3.6%
Total liabilities	1,588,614	1,682,660	-5.6%

The Group's total assets decreased by RM31.9 million or 0.9%, mainly due to lower trade and other receivables, property, plant and equipment and investment in joint ventures by RM84.3 million, RM31.3 million and RM7.4 million respectively. These amounts were partially offset by an increase in cash and bank balances amounting to RM87.1 million.

Total equity attributable to equity holders rose by RM62.2 million or 3.6% in tandem with total comprehensive income recognised in the current year.

The Group's total liabilities were lower by RM94.0 million mainly contributed by the decrease in borrowing as well as trade and other payables amounting to RM34.5 million and RM66.1 million respectively.

B4. REVIEW OF CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended		Variance %
	31 Dec 2022	31 Dec 2021	
	RM '000	RM '000	
Net cash generated from/(used in) operating activities	133,452	(10,469)	>100%
Net cash generated from/(used in) investing activities	3,386	(37,769)	>100%
Net cash (used in)/generated from financing activities	(49,713)	107,097	>100%
Net change in cash & cash equivalents	87,125	58,859	48%

The Group recorded net cash generated from operating activities of RM133.5 million against net cash used in operating activities of RM10.5 million in the prior year mainly due to higher collection from clients during the current year.

The Group recorded net cash generated from investing activities amounting to RM3.4 million compared to net cash used in investing activities of RM37.8 million in the corresponding year 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 year.

The Group recorded net cash used in financing activities amounting to RM49.7 million against net cash generated from financing activities of RM107.1 million mainly due to no financing inflow as the Group completed its term loan drawdown in FY 2021 coupled with higher repayment of borrowing in the current year.

B5. CURRENT YEAR PROSPECTS

China's reopening of its economy through lifting of its Zero-COVID policy is expected to significantly boost demand for oil, gas and energy which should support oil and gas prices to remain strong. On another front, the rapid growth of renewable energy alongside the increasing decarbonisation efforts globally could present multiple business opportunities to the Group. However, the growing threat of a global economic recession may pose some downside risks to demand and prices. In addition, factors such as supply chain disruptions caused by on-going geopolitical tensions and high inflationary pressures could continue to pose challenges to Heavy Engineering business prospects. Thus, the Group remains cautiously optimistic on the outlook for the Heavy Engineering segment.

The lifting of entry restrictions on foreign technical specialists since the reopening of borders on 1 April 2022 has benefited Marine business operations through higher dry-docking activities recorded during the year. The Group also plans to capture more upgrading and retrofitting jobs as vessel owners aim to comply with Energy Efficiency Existing Ship Index (EEXI) and Carbon Intensity Indicator (CII) imposed by the International Maritime Organisation (IMO) from 1 January 2023 onwards. However, despite recent improvements in the labour market which had supported Marine business' turnaround, the prevailing nationwide manpower constraints may still affect the timely execution of dry-docking works. In addition, the recent lifting of China's border restrictions could lead to tougher competition amongst shipyards for dry-docking opportunities moving forward. As such, the Group expects Marine business to remain challenging.

The Group aims to continue to grow its order book by capturing opportunities in both local and international markets including in the growing renewable energy sector. Improving project execution and delivery remains a priority through prudent investment in technology, people, processes, systems, digitalisation and automation as well as effective cost optimisation efforts.

B6. PROFIT FORECAST AND PROFIT GUARANTEE

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

B7. TAXATION

	31 Dec 2022 RM '000	31 Dec 2021 RM '000
Taxation for the year comprises the following:		
Income tax		
- current year	572	-
- prior year	(21,476)	-
	(20,904)	-

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**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").

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 the 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 ("the Appeal").

Case management for the Appeal has been fixed on 27 February 2023.

B9. DIVIDEND PROPOSED

The Board of Directors has approved a single-tier tax exempt dividend of 1.5 sen per share (2021: nil) in respect of financial year ended 31 December 2022 amounting to RM24 million (2021: nil). The proposed dividend will be paid on 24 March 2023 to shareholders registered at the close of business on 27 February 2023.

A depositor shall qualify for entitlement to the dividend only in respect of:

- i) Shares transferred into the Depositor's Securities Account before 4.30pm on 27 February 2023 in respect of Ordinary Transfers; and
- ii) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

B10. DERIVATIVES

Details of the Group's derivative financial instruments outstanding as at 31 December 2022 are as follows:

	Contract/ Notional Amount as at 31 Dec 2022 (in RM '000)	Fair Value loss (in RM '000)
Forward foreign currency contracts	308,539	(6,422)

During the year, the Group recognised a net unrealised derivatives loss of RM5,535,000 in its equity and derivatives gain of RM3,813,000 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		Year Ended	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Basic profit/(loss) per share is computed as follows:				
Profit/(Loss) for the period/year attributable to equity holders of the Company (RM '000)	27,139	(107,794)	67,773	(270,406)
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>1.7</u>	<u>(6.7)</u>	<u>4.2</u>	<u>(16.9)</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 year ended 31 December 2022.

B13. TRADE AND OTHER RECEIVABLES

	31 Dec 2022 RM '000	31 Dec 2021 RM '000
Non-Current		
Trade receivable		
Third party	<u>-</u>	<u>467</u>
Current		
Trade receivables		
Third parties	153,769	267,601
Related companies	15,136	24,023
Amount due from customers on contracts	<u>592,622</u>	<u>577,131</u>
	761,527	868,755
Other receivables	21,382	19,244
Less: Allowance for impairment losses	<u>(34,932)</u>	<u>(56,146)</u>
	<u>747,977</u>	<u>831,853</u>
Trade and other receivables	<u>747,977</u>	<u>832,320</u>

Credit terms of trade and other receivables for the Group, including trade receivables from related companies 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:-

	31 Dec 2022 RM '000	31 Dec 2021 RM '000
Neither past due nor impaired	102,398	229,915
1 to 30 days past due not impaired	33,392	2,642
31 to 60 days past due not impaired	2,554	7,074
61 to 90 days past due not impaired	-	123
More than 90 days past due not impaired	<u>-</u>	<u>1,923</u>
	138,344	241,677
Impaired	30,561	50,414
Trade receivables	<u>168,905</u>	<u>292,091</u>