

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 31 March 2023
 The figures have not been audited.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2023

| | QUARTER ENDED | | CUMULATIVE 3 MONTHS ENDED | |
|---|---------------|--------------|---------------------------|--------------|
| | 31 MAR 2023 | 31 MAR 2022 | 31 MAR 2023 | 31 MAR 2022 |
| | RM '000 | RM '000 | RM '000 | RM '000 |
| Revenue | 496,225 | 417,782 | 496,225 | 417,782 |
| Other operating income | 11,932 | 15,885 | 11,932 | 15,885 |
| Operating profit | 6,959 | 6,310 | 6,959 | 6,310 |
| Finance cost | (3,422) | (3,617) | (3,422) | (3,617) |
| Share of results of joint ventures | - | - | - | - |
| Profit before taxation | 3,537 | 2,693 | 3,537 | 2,693 |
| Taxation | - | - | - | - |
| Profit after taxation | 3,537 | 2,693 | 3,537 | 2,693 |
| Other comprehensive income: | | | | |
| Fair value through other comprehensive income: | | | | |
| Changes in fair value of hedging derivatives | 1,811 | 170 | 1,811 | 170 |
| Total comprehensive income for the period | 5,348 | 2,863 | 5,348 | 2,863 |
| Profit/(Loss) attributable to: | | | | |
| Equity holders of the Company | 3,537 | 2,723 | 3,537 | 2,723 |
| Non-controlling interests | - | (30) | - | (30) |
| | 3,537 | 2,693 | 3,537 | 2,693 |
| Total comprehensive income/(loss) attributable to: | | | | |
| Equity holders of the Company | 5,348 | 2,893 | 5,348 | 2,893 |
| Non-controlling interests | - | (30) | - | (30) |
| | 5,348 | 2,863 | 5,348 | 2,863 |
| Profit per share attributable to equity holders of the Company: | | | | |
| (i) Basic (sen) | 0.2 | 0.2 | 0.2 | 0.2 |
| (ii) Dilutive (sen) | 0.2 | 0.2 | 0.2 | 0.2 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

| | 31 MAR 2023 RM '000 | 31 DEC 2022 RM '000 |
|--|-------------------------|-------------------------|
| Non-current assets | | |
| Property, plant and equipment | 1,489,452 | 1,493,445 |
| Right-of-use assets | 198,383 | 200,408 |
| Investment in joint ventures | 1,516 | 1,516 |
| Deferred tax assets | 93,293 | 93,293 |
| | <u>1,782,644</u> | <u>1,788,662</u> |
| Current assets | | |
| Inventories | 1,966 | 2,767 |
| Trade and other receivables | 915,594 | 747,977 |
| Tax recoverable | 21,680 | 21,680 |
| Cash and bank balances | 627,984 | 797,038 |
| | <u>1,567,224</u> | <u>1,569,462</u> |
| TOTAL ASSETS | <u>3,349,868</u> | <u>3,358,124</u> |
| Equity attributable to equity holders of the Company | | |
| Share capital | 1,618,263 | 1,618,263 |
| Cash flow hedge reserve | (3,889) | (5,700) |
| Retained earnings | 135,665 | 156,128 |
| | <u>1,750,039</u> | <u>1,768,691</u> |
| Non-controlling interests | 819 | 819 |
| Total equity | <u>1,750,858</u> | <u>1,769,510</u> |
| Non-current liabilities | | |
| Borrowing | 289,711 | 298,971 |
| Lease liabilities | 4,462 | 4,725 |
| | <u>294,173</u> | <u>303,696</u> |
| Current liabilities | | |
| Trade and other payables | 1,266,361 | 1,241,250 |
| Borrowing | 36,586 | 36,216 |
| Lease liabilities | 1,040 | 1,030 |
| Derivatives | 850 | 6,422 |
| | <u>1,304,837</u> | <u>1,284,918</u> |
| Total liabilities | <u>1,599,010</u> | <u>1,588,614</u> |
| TOTAL EQUITY AND LIABILITIES | <u>3,349,868</u> | <u>3,358,124</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2023

| | 31 MAR 2023 | 31 MAR 2022 |
|--|-----------------------|-----------------------|
| | RM '000 | RM '000 |
| Profit before taxation | 3,537 | 2,693 |
| Adjustments for: | | |
| Property, plant and equipment | | |
| - depreciation | 17,780 | 17,461 |
| Right-of-use assets | | |
| - amortisation | 2,025 | 2,150 |
| Net allowance/(reversal) of impairment loss on trade receivables | 456 | (9,400) |
| Interest income | (4,804) | (3,630) |
| Net unrealised loss on foreign exchange | 2,781 | 1,555 |
| Changes in fair value gain of hedging derivatives | (3,760) | (1,488) |
| Finance cost | 3,422 | 3,617 |
| Operating profit before working capital changes | <u>21,437</u> | <u>12,958</u> |
| Inventories | 801 | 166 |
| Trade and other receivables | (168,072) | 135,481 |
| Trade and other payables | 22,329 | 5,677 |
| Cash (used in)/generated from operations | <u>(123,505)</u> | <u>154,282</u> |
| Tax paid | - | - |
| Net cash (used in)/generated from operating activities | <u>(123,505)</u> | <u>154,282</u> |
| | | |
| Purchase of property, plant and equipment | (13,788) | (1,622) |
| Interest received | 4,804 | 3,630 |
| Net cash (used in)/generated from investing activities | <u>(8,984)</u> | <u>2,008</u> |
| | | |
| Dividends paid to equity holders of the Company | (24,000) | - |
| Payment of principal on long term borrowing | (8,890) | (8,607) |
| Interest paid on long term borrowing | (3,367) | (3,609) |
| Payment of principal portion of lease liabilities | (253) | (468) |
| Interest paid on lease liabilities | (55) | (8) |
| Net cash used in financing activities | <u>(36,565)</u> | <u>(12,692)</u> |
| | | |
| Net change in cash & cash equivalents | (169,054) | 143,598 |
| | | |
| Cash & cash equivalents at the beginning of the period | 784,856 | 697,731 |
| | | |
| Cash & cash equivalents at the end of the period | <u>615,802</u> | <u>841,329</u> |
| | | |
| Cash at banks and in hand | 128,991 | 68,453 |
| IFSSC bank balance | 453,164 | 396,129 |
| Deposits with licensed banks | 45,829 | 388,929 |
| | <u>627,984</u> | <u>853,511</u> |
| Less: Cash pledged with the bank - restricted | (12,182) | (12,182) |
| | <u>615,802</u> | <u>841,329</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2023

| | ←-----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 | | | |
| 3 MONTHS ENDED 31 MARCH 2023 | | | | | | |
| At 1 January 2023 | 1,618,263 | 156,128 | (5,700) | 1,768,691 | 819 | 1,769,510 |
| Total comprehensive income | - | 3,537 | 1,811 | 5,348 | - | 5,348 |
| Dividends paid to equity holders of the Company | - | (24,000) | - | (24,000) | - | (24,000) |
| At 31 March 2023 | 1,618,263 | 135,665 | (3,889) | 1,750,039 | 819 | 1,750,858 |
| 3 MONTHS ENDED 31 MARCH 2022 | | | | | | |
| At 1 January 2022 | 1,618,263 | 88,355 | (165) | 1,706,453 | 954 | 1,707,407 |
| Total comprehensive income/(loss) | - | 2,723 | 170 | 2,893 | (30) | 2,863 |
| At 31 March 2022 | 1,618,263 | 91,078 | 5 | 1,709,346 | 924 | 1,710,270 |

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 17 May 2023.

A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the period ended 31 March 2023 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 2022.

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 2022.

The audited consolidated financial statements of the Group for the year ended 31 December 2022 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 2023 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 2022.

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 2023

Amendments to MFRS 17 Insurance Contracts
Amendments to MFRS 101 Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)
Amendments to MFRS 101 Presentation of Financial Statements and MFRS Practice Statement 2 (Disclosure of Accounting Policies)
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)
Amendments to MFRS 112 Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)

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 2022 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 2022 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 31 March 2023.

A9. INTEREST BEARING LOAN AND BORROWING

The tenure of Group borrowing is as follows:

| | 31 Mar 2023 | 31 Dec 2022 |
|---------------------|--------------------|--------------------|
| | RM '000 | RM '000 |
| Secured - Term Loan | | |
| Current | 36,586 | 36,216 |
| Non-current | 289,711 | 298,971 |
| | <u>326,297</u> | <u>335,187</u> |

A10. DIVIDEND PAID

The Company paid a single-tier tax exempt dividend of 1.5 sen per share on 24 March 2023 in respect of the financial year ended 31 December 2022, totalling RM24 million.

A11. SEGMENT REPORT

Segmental analysis for the current financial period is as follows:

| | Heavy Engineering | Marine | Others | Eliminations | Total |
|------------------------------------|------------------------------|----------------|----------------|---------------------|---------------------|
| | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 |
| REVENUE AND RESULTS | | | | | |
| Revenue | | | | | |
| External | <u>404,155</u> | <u>92,070</u> | <u>-</u> | <u>-</u> | <u>496,225</u> |
| Results | | | | | |
| Operating (loss)/profit | <u>(8,713)</u> | <u>12,902</u> | <u>2,779</u> | <u>(9) *</u> | <u>6,959</u> |
| Finance costs | | | | | (3,422) |
| Share of results of joint ventures | | | | | - |
| Profit before taxation | | | | | <u><u>3,537</u></u> |

* Inter-segment transactions are eliminated on consolidation.

A12. PROFIT/(LOSS) FOR THE PERIOD

| | Quarter Ended | | Cumulative 3 Months Ended | |
|--|---------------|-------------|---------------------------|-------------|
| | 31 Mar 2023 | 31 Mar 2022 | 31 Mar 2023 | 31 Mar 2022 |
| | RM '000 | RM '000 | RM '000 | RM '000 |
| Profit for the period is arrived at after charging: | | | | |
| Property, plant and equipment | | | | |
| - depreciation | 17,780 | 17,461 | 17,780 | 17,461 |
| Right-of-use assets | | | | |
| - amortisation | 2,025 | 2,150 | 2,025 | 2,150 |
| Net unrealised loss on foreign exchange | 2,781 | 1,555 | 2,781 | 1,555 |
| Finance cost | 3,422 | 3,617 | 3,422 | 3,617 |
| Net allowance of impairment loss on trade receivables | 456 | - | 456 | - |
| Rental expenses | | | | |
| - Plant and machineries | 15,665 | 11,340 | 15,665 | 11,340 |
| - Office equipment | 2,341 | 1,250 | 2,341 | 1,250 |
| - Transportation | 1,020 | 1,143 | 1,020 | 1,143 |
| - Others | 83 | 68 | 83 | 68 |

| | Quarter Ended | | Cumulative 3 Months Ended | |
|---|---------------|-------------|---------------------------|-------------|
| | 31 Mar 2023 | 31 Mar 2022 | 31 Mar 2023 | 31 Mar 2022 |
| | RM '000 | RM '000 | RM '000 | RM '000 |
| Profit for the period is arrived at after (crediting): | | | | |
| Net income from scrap disposal | (1,624) | (319) | (1,624) | (319) |
| Interest income | (4,804) | (3,630) | (4,804) | (3,630) |
| Changes in fair value of hedging derivatives | (3,760) | (1,488) | (3,760) | (1,488) |
| Net reversal of impairment loss on trade receivables | - | (9,400) | - | (9,400) |
| Rental income | | | | |
| - land | (159) | (238) | (159) | (238) |
| - building | (238) | (228) | (238) | (228) |
| - equipments | (61) | (451) | (61) | (451) |

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 2022.

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 31 March 2023 comprise the following:

| | 31 Mar 2023 RM '000 | 31 Dec 2022 RM '000 |
|--------------------------------|------------------------|------------------------|
| Unsecured | | |
| Bank guarantees extended to: - | | |
| - Related companies | 669,448 | 528,658 |
| - Third parties | 207,851 | 212,840 |
| | <u>877,299</u> | <u>741,498</u> |

A18. CAPITAL COMMITMENTS

| | 31 Mar 2023 RM '000 | 31 Dec 2022 RM '000 |
|---------------------------------|------------------------|------------------------|
| Approved and contracted for | 119,392 | 78,121 |
| Approved but not contracted for | 80,486 | 171,809 |
| | <u>199,878</u> | <u>249,930</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 financial instruments carried at fair value | | | | |
|---|---|--------------------|--------------------|------------------|-------------------------------|
| | Level 1 RM '000 | Level 2 RM '000 | Level 3 RM '000 | Total RM '000 | |
| At 31 March 2023 | | | | | |
| Financial liability | | | | | |
| Forward currency contracts | - | (850) | - | - | (850) |
| At 31 December 2022 | | | | | |
| Financial liability | | | | | |
| Forward currency contracts | - | (6,422) | - | - | (6,422) |
| 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 31 March 2023 | | | | | |
| Financial liability | | | | | |
| Term loan | | | | | |
| - fixed rate | - | (337,998) | - | (337,998) | (326,297) |
| At 31 December 2022 | | | | | |
| Financial liability | | | | | |
| Term loan | | | | | |
| - fixed rate | - | (345,891) | - | (345,891) | (335,187) |

A20. RELATED PARTY TRANSACTIONS

There were no significant transactions with related parties other than those disclosed in the audited consolidated financial statements of the Group for the year ended 31 December 2022.

B1. REVIEW OF PERFORMANCE

| | Quarter Ended | | Cumulative 3 Months Ended | |
|------------------------------------|----------------|----------------|---------------------------|----------------|
| | 31 Mar 2023 | 31 Mar 2022 | 31 Mar 2023 | 31 Mar 2022 |
| | RM '000 | RM '000 | RM '000 | RM '000 |
| Revenue | | | | |
| Heavy Engineering | 404,155 | 358,375 | 404,155 | 358,375 |
| Marine | 92,070 | 59,407 | 92,070 | 59,407 |
| | <u>496,225</u> | <u>417,782</u> | <u>496,225</u> | <u>417,782</u> |
| Results | | | | |
| Heavy Engineering | (8,713) | 2,911 | (8,713) | 2,911 |
| Marine | 12,902 | 3,676 | 12,902 | 3,676 |
| Others | 2,779 | (277) | 2,779 | (277) |
| Eliminations/Adjustments * | (9) | - | (9) | - |
| Operating profit | <u>6,959</u> | <u>6,310</u> | <u>6,959</u> | <u>6,310</u> |
| Finance cost | (3,422) | (3,617) | (3,422) | (3,617) |
| Share of results of joint ventures | - | - | - | - |
| Profit before taxation | <u>3,537</u> | <u>2,693</u> | <u>3,537</u> | <u>2,693</u> |

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

Performance of current quarter against the quarter ended 31 March 2022 (corresponding quarter).

Group revenue of RM496.2 million was RM78.4 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 RM7.0 million against an operating profit of RM6.3 million in the corresponding quarter.

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

Heavy Engineering

Heavy Engineering segment recorded revenue of RM404.2 million in the current quarter compared to RM358.4 million in the corresponding quarter, mainly due to higher revenue from on-going projects.

The segment posted an operating loss of RM8.7 million in the current quarter mainly due to unabsorbed overheads. Operating profit in the corresponding quarter was mainly due to the partial recovery of COVID-19 claims.

Marine

Revenue of RM92.1 million was RM32.7 million higher compared to RM59.4 million in the corresponding quarter as a result of higher dry-docking and repair activities.

The segment posted an operating profit of RM12.9 million in the current quarter, RM9.2 million higher compared to an operating profit of RM3.7 million in the corresponding quarter, mainly due to higher revenue and improved profit margins.

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.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

| | Quarter Ended | |
|------------------------------------|------------------------|------------------------|
| | 31 Mar 2023 RM '000 | 31 Dec 2022 RM '000 |
| Revenue | | |
| Heavy Engineering | 404,155 | 326,406 |
| Marine | 92,070 | 97,596 |
| | <u>496,225</u> | <u>424,002</u> |
| Results | | |
| Heavy Engineering | (8,713) | (14,158) |
| Marine | 12,902 | 22,027 |
| Others | 2,779 | 1,921 |
| Eliminations/Adjustments | (9) | (10) |
| Operating profit | <u>6,959</u> | <u>9,780</u> |
| Finance cost | (3,422) | (3,449) |
| Share of results of joint ventures | - | - |
| Profit before taxation | <u>3,537</u> | <u>6,331</u> |

The Group posted a higher revenue of RM496.2 million compared to preceding quarter's revenue of RM424.0 million mainly due to higher revenue from the Heavy Engineering segment.

Despite the higher revenue, the Group recorded a lower operating profit of RM7.0 million compared to the operating profit of RM9.8 million in Quarter 4, FY 2022 mainly due to lower operating profit in the Marine segment as a result of lower margins coupled with recovery of doubtful debts recognised in the preceding quarter.

B3. REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | As at | As at | Variance % |
|--|------------------------|------------------------|---------------|
| | 31 Mar 2023 RM '000 | 31 Dec 2022 RM '000 | |
| Total assets | 3,349,868 | 3,358,124 | -0.2% |
| Total equity attributable to equity holders of the Company | 1,750,039 | 1,768,691 | -1.1% |
| Total liabilities | 1,599,010 | 1,588,614 | 0.7% |

The Group's total assets decreased by RM8.3 million or 0.2%, mainly due to lower cash and bank balance by RM169.1 million and property, plant and equipment and right-of-use assets by RM6.0 million. These amounts were partially offset by an increase in trade and other receivables amounting to RM167.6 million.

Total equity attributable to equity holders decreased by RM18.7 million or 1.1% due to RM24.0 million dividend paid offset with comprehensive income recognised during the period.

The Group's total liabilities were higher by RM10.4 million mainly contributed by the increase in trade and other payables amounting to RM25.1 million. These amounts were partially offset by a decrease in borrowing and derivatives amounting to RM8.9 million and RM5.6 million respectively.

B4. REVIEW OF CONSOLIDATED STATEMENT OF CASH FLOWS

| | Cumulative 3 Months Ended | | Variance % |
|--|---------------------------|------------------------|---------------|
| | 31 Mar 2023 RM '000 | 31 Mar 2022 RM '000 | |
| Net cash (used in)/generated from operating activities | (123,505) | 154,282 | >100% |
| Net cash (used in)/generated from investing activities | (8,984) | 2,008 | >100% |
| Net cash used in financing activities | (36,565) | (12,692) | >100% |
| Net change in cash & cash equivalents | (169,054) | 143,598 | >100% |

The Group recorded net cash used in operating activities of RM123.5 million against net cash generated from operating activities of RM154.3 million in the prior period mainly due to higher payments made during the current period.

The Group recorded net cash used in investing activities amounting to RM9.0 million compared to net cash generated from investing activities of RM2.0 million in the corresponding period mainly due to the higher purchase of property, plant and equipment during the current period.

The Group recorded net cash used in financing activities amounting to RM36.6 million against RM12.7 million in the corresponding quarter mainly due to the dividend paid in the current period.

B5. CURRENT YEAR PROSPECTS

The re-opening of China's economy coupled with OPEC+'s decision to cut oil production are expected to support strong oil prices for the year. This is likely to drive oil majors to ramp-up CAPEX spending. In addition, the rapid growth of renewable energy and decarbonisation efforts driving global energy transition could present the Group with new business opportunities. Notwithstanding this, the Group remains cautiously optimistic on the outlook for the Heavy Engineering segment in view of the growing risks of global recession and geopolitical tensions which could slow down business prospects.

The Group expects Marine business to remain challenging mainly due to stiff competition from Chinese shipyards amidst the re-opening of China's borders. Furthermore, dry-docking opportunities are becoming limited as older LNG carriers decommission from service due to inability to comply with Energy Efficiency Existing Ship Index (EEXI) and Carbon Intensity Indicator (CII) requirements imposed by the International Maritime Organisation (IMO).

The Group continues to prioritise on improving project execution and successful delivery of current projects via operational and cost efficiency. In addition, the Group aims to capture opportunities in the domestic and international markets as well as those in the renewable energy and decarbonisation sectors to sustain and grow its order book.

B6. PROFIT FORECAST AND PROFIT GUARANTEE

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

B7. TAXATION

| | 31 Mar 2023 RM '000 | 31 Mar 2022 RM '000 |
|--|------------------------|------------------------|
| Taxation for the year comprises the following: | | |
| Income tax | | |
| - current period | - | - |
| - prior period | - | - |
| | <u>-</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:-

- 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;
- 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
- 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 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 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. After a series of case management sessions, the matter has been fixed for another case management on 13 July 2023 for the Parties to update the Court of Appeal on the issuance of the Grounds of Judgment by the High Court.

B9. DERIVATIVES

Details of the Group's derivative financial instruments outstanding as at 31 March 2023 are as follows:

| | Contract/ Notional Amount as at 31 Mar 2023 (in RM '000) | Fair Value loss (in RM '000) |
|------------------------------------|---|---|
| Forward foreign currency contracts | 1,025,340 | (850) |

During the period, the Group recognised a net unrealised derivatives gain of RM1,811,000 in its equity and derivatives gain of RM3,760,000 in profit or loss for the effective and ineffective portion respectively, in relation to the fair value of the cash flow hedges.

B10. PROFIT PER SHARE

| | Quarter Ended | | Cumulative 3 Months Ended | |
|---|----------------------|--------------------|----------------------------------|--------------------|
| | 31 Mar 2023 | 31 Mar 2022 | 31 Mar 2023 | 31 Mar 2022 |
| Basic profit per share is computed as follows: | | | | |
| Profit for the period attributable to equity holders of the Company (RM '000) | 3,537 | 2,723 | 3,537 | 2,723 |
| Weighted average number of ordinary shares in issue (thousand) | 1,600,000 | 1,600,000 | 1,600,000 | 1,600,000 |
| Basic profit per share (sen) | 0.2 | 0.2 | 0.2 | 0.2 |

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

B11. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

There were no outstanding corporate proposals submitted by the Group for the quarter ended 31 March 2023.

B12. TRADE AND OTHER RECEIVABLES

| | 31 Mar 2023 RM '000 | 31 Dec 2022 RM '000 |
|--|--------------------------------------|--------------------------------------|
| Trade receivables | | |
| Third parties | 242,314 | 164,722 |
| Related companies | 25,356 | 4,183 |
| Amount due from customers on contracts | <u>664,138</u> | <u>592,622</u> |
| | 931,808 | 761,527 |
| Other receivables | 19,174 | 21,382 |
| Less: Allowance for impairment losses | <u>(35,388)</u> | <u>(34,932)</u> |
| | <u>915,594</u> | <u>747,977</u> |
| Trade and other receivables | <u><u>915,594</u></u> | <u><u>747,977</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:-

| | 31 Mar 2023 RM '000 | 31 Dec 2022 RM '000 |
|-------------------------------------|--------------------------------------|--------------------------------------|
| Neither past due nor impaired | 234,458 | 102,516 |
| 1 to 30 days past due not impaired | 2,224 | 33,567 |
| 31 to 60 days past due not impaired | - | 2,606 |
| 61 to 90 days past due not impaired | 241 | - |
| | <u>236,923</u> | <u>138,689</u> |
| Impaired | <u>30,747</u> | <u>30,216</u> |
| Trade receivables | <u><u>267,670</u></u> | <u><u>168,905</u></u> |