

**QUARTERLY REPORT**

This is a quarterly report on consolidated results for the period ended 30 June 2023  
 The figures have not been audited.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2023**

	QUARTER ENDED		CUMULATIVE 6 MONTHS ENDED	
	30 JUN 2023	30 JUN 2022	30 JUN 2023	30 JUN 2022
	RM '000	RM '000	RM '000	RM '000
Revenue	1,056,314	400,632	1,552,539	818,414
Other operating (expense)/income	(1,192)	21,228	10,740	37,113
Operating (loss)/profit	(385,318)	25,770	(378,359)	32,080
Finance cost	(3,363)	(3,566)	(6,785)	(7,183)
(Loss)/Profit before taxation	(388,681)	22,204	(385,144)	24,897
Taxation	(2)	(143)	(2)	(143)
(Loss)/Profit after taxation	(388,683)	22,061	(385,146)	24,754
<b>Other comprehensive (loss)/income:</b>				
Fair value through other comprehensive (loss)/income:				
Changes in fair value of hedging derivatives	(31,435)	2,229	(29,624)	2,399
<b>Total comprehensive (loss)/income for the period</b>	<b>(420,118)</b>	<b>24,290</b>	<b>(414,770)</b>	<b>27,153</b>
<b>(Loss)/Profit attributable to:</b>				
Equity holders of the Company	(388,698)	21,966	(385,161)	24,689
Non-controlling interests	15	95	15	65
	(388,683)	22,061	(385,146)	24,754
<b>Total comprehensive (loss)/income attributable to:</b>				
Equity holders of the Company	(420,133)	24,195	(414,785)	27,088
Non-controlling interests	15	95	15	65
	(420,118)	24,290	(414,770)	27,153
(Loss)/Profit per share attributable to equity holders of the Company:				
(i) Basic (sen)	(24.3)	1.4	(24.1)	1.5
(ii) Dilutive (sen)	(24.3)	1.4	(24.1)	1.5

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023**

	30 JUN 2023 RM '000	31 DEC 2022 RM '000
<b>Non-current assets</b>		
Property, plant and equipment	1,504,248	1,493,445
Right-of-use assets	196,358	200,408
Investment in joint ventures	1,516	1,516
Deferred tax assets	93,293	93,293
	<u>1,795,415</u>	<u>1,788,662</u>
<b>Current assets</b>		
Inventories	2,039	2,767
Trade and other receivables	1,333,106	747,977
Tax recoverable	21,020	21,680
Cash and bank balances	406,484	797,038
	<u>1,762,649</u>	<u>1,569,462</u>
<b>TOTAL ASSETS</b>	<b><u>3,558,064</u></b>	<b><u>3,358,124</u></b>
<b>Equity attributable to equity holders of the Company</b>		
Share capital	1,618,263	1,618,263
Cash flow hedge reserve	(35,324)	(5,700)
(Accumulated losses)/ Retained earnings	(253,033)	156,128
	<u>1,329,906</u>	<u>1,768,691</u>
Non-controlling interests	834	819
<b>Total equity</b>	<b><u>1,330,740</u></b>	<b><u>1,769,510</u></b>
<b>Non-current liabilities</b>		
Borrowing	280,008	298,971
Lease liabilities	4,190	4,725
	<u>284,198</u>	<u>303,696</u>
<b>Current liabilities</b>		
Trade and other payables	1,871,185	1,241,250
Borrowing	37,202	36,216
Lease liabilities	1,055	1,030
Derivatives	33,684	6,422
	<u>1,943,126</u>	<u>1,284,918</u>
<b>Total liabilities</b>	<b><u>2,227,324</u></b>	<b><u>1,588,614</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>3,558,064</u></b>	<b><u>3,358,124</u></b>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2023

	30 JUN 2023 RM '000	30 JUN 2022 RM '000
(Loss)/Profit before taxation	(385,144)	24,897
Adjustments for:		
Property, plant and equipment		
- depreciation	35,538	35,142
- write-offs	-	145
Right-of-use assets		
- amortisation	4,050	4,300
Net allowance/(reversal) of impairment loss on trade receivables	1,093	(13,307)
Interest income	(7,361)	(7,929)
Net unrealised loss/(gain) on foreign exchange	4,124	(3,126)
Changes in fair value gain of hedging derivatives	(2,362)	(6,908)
Finance cost	6,785	7,183
Operating profit before working capital changes	<u>(343,277)</u>	<u>40,397</u>
Inventories	728	(443)
Trade and other receivables	(586,221)	249,584
Trade and other payables	<u>625,810</u>	<u>(41,431)</u>
Cash (used in)/generated from operations	(302,960)	248,107
Tax refund	658	-
Net cash (used in)/generated from operating activities	<u>(302,302)</u>	<u>248,107</u>
Purchase of property, plant and equipment	(46,341)	(8,452)
Net proceeds from disposal of non-current asset held for sale	-	14,312
Interest received	7,361	7,929
Dividend income from joint venture	-	7,367
Net cash (used in)/generated from investing activities	<u>(38,980)</u>	<u>21,156</u>
Dividends paid to equity holders of the Company	(24,000)	-
Payment of principal on long term borrowing	(17,977)	(17,419)
Interest paid on long term borrowing	(6,677)	(7,170)
Payment of principal portion of lease liabilities	(510)	(939)
Interest paid on lease liabilities	(108)	(13)
Net cash used in financing activities	<u>(49,272)</u>	<u>(25,541)</u>
Net change in cash & cash equivalents	(390,554)	243,722
Cash & cash equivalents at the beginning of the period	784,856	697,731
<b>Cash &amp; cash equivalents at the end of the period</b>	<b><u>394,302</u></b>	<b><u>941,453</u></b>
Cash at banks and in hand	188,416	82,950
IFSSC bank balance	218,039	527,656
Deposits with licensed banks	29	343,029
	<u>406,484</u>	<u>953,635</u>
Less: Cash pledged with the bank - restricted	(12,182)	(12,182)
	<b><u>394,302</u></b>	<b><u>941,453</u></b>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2023

	←-----Attributable to equity-----> holders of the Company			Total	Non-controlling Interests	Total Equity
	Share Capital	Distributable Retained Earnings/ (Accumulated Losses)	Fair Value through OCI Reserve			
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>6 MONTHS ENDED 30 JUNE 2023</b>						
<b>At 1 January 2023</b>	1,618,263	156,128	(5,700)	1,768,691	819	1,769,510
Total comprehensive (loss)/income	-	(385,161)	(29,624)	(414,785)	15	(414,770)
Dividends paid to equity holders of the Company	-	(24,000)	-	(24,000)	-	(24,000)
<b>At 30 June 2023</b>	<b>1,618,263</b>	<b>(253,033)</b>	<b>(35,324)</b>	<b>1,329,906</b>	<b>834</b>	<b>1,330,740</b>
<b>6 MONTHS ENDED 30 JUNE 2022</b>						
<b>At 1 January 2022</b>	1,618,263	88,355	(165)	1,706,453	954	1,707,407
Total comprehensive income	-	24,689	2,399	27,088	65	27,153
<b>At 30 June 2022</b>	<b>1,618,263</b>	<b>113,044</b>	<b>2,234</b>	<b>1,733,541</b>	<b>1,019</b>	<b>1,734,560</b>

## **NOTES TO THE UNAUDITED CONDENSED FINANCIAL REPORT**

### **A1. CORPORATE INFORMATION**

Malaysia Marine and Heavy Engineering Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Berhad.

These unaudited condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 15 August 2023.

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

These unaudited condensed consolidated interim financial statements for the period ended 30 June 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 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 30 June 2023.

**A9. INTEREST BEARING LOAN AND BORROWING**

The tenure of Group borrowing is as follows:

	30 Jun 2023 RM '000	31 Dec 2022 RM '000
Secured - Term Loan		
Current	37,202	36,216
Non-current	280,008	298,971
	<u>317,210</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:

REVENUE AND RESULTS	Heavy Engineering RM '000	Marine RM '000	Others RM '000	Eliminations RM '000	Total RM '000
<b>Revenue</b>					
External	<u>1,395,088</u>	<u>157,451</u>	<u>-</u>	<u>-</u>	<u>1,552,539</u>
<b>Results</b>					
Operating (loss)/profit	<u>(398,741)</u>	<u>16,179</u>	<u>4,222</u>	<u>(19) *</u>	<u>(378,359)</u>
Finance costs					(6,785)
<b>Loss before taxation</b>					<u>(385,144)</u>

\* Inter-segment transactions are eliminated on consolidation.

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

	Quarter Ended		Cumulative 6 Months Ended	
	30 Jun 2023 RM '000	30 June 2022 RM '000	30 Jun 2023 RM '000	30 June 2022 RM '000
<b>(Loss)/Profit for the period is arrived at after charging:</b>				
Property, plant and equipment				
- depreciation	17,758	17,681	35,538	35,142
- write offs	-	145	-	145
Right-of-use assets				
- amortisation	2,025	2,150	4,050	4,300
Net unrealised loss on foreign exchange	1,343	-	4,124	-
Changes in fair value of hedging derivatives	1,398	-	-	-
Finance cost	3,363	3,566	6,785	7,183
Net allowance of impairment loss on trade receivables	637	-	1,093	-
Rental expenses				
- Plant and machineries	11,554	9,877	27,219	21,213
- Office equipment	2,392	782	4,733	1,680
- Transportation	920	1,595	1,940	2,738
- Others	62	25	145	93

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

	Quarter Ended		Cumulative 6 Months Ended	
	30 Jun 2023	30 June 2022	30 Jun 2023	30 June 2022
	RM '000	RM '000	RM '000	RM '000
<b>(Loss)/Profit for the period is arrived at after (crediting):</b>				
Net income from scrap disposal	(20)	(222)	(1,644)	(541)
Interest income	(2,557)	(4,299)	(7,361)	(7,929)
Changes in fair value of hedging derivatives	-	(5,420)	(2,362)	(6,908)
Net unrealised gain on foreign exchange	-	(4,681)	-	(3,126)
Net reversal of impairment loss on trade receivables	-	(3,907)	-	(13,307)
Rental income				
- land	(20)	(20)	(179)	(258)
- building	(414)	(559)	(652)	(787)
- equipments	(202)	(90)	(263)	(541)

**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 30 June 2023 comprise the following:

	30 Jun 2023	31 Dec 2022
	RM '000	RM '000
<b>Unsecured</b>		
Bank guarantees extended to: -		
- Related companies	687,257	528,658
- Third parties	206,974	212,840
	<u>894,231</u>	<u>741,498</u>

**A18. CAPITAL COMMITMENTS**

	30 Jun 2023	31 Dec 2022
	RM '000	RM '000
Approved and contracted for	95,752	78,121
Approved but not contracted for	73,982	171,809
	<u>169,734</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	Level 2	Level 3	Total	
		RM '000	RM '000	RM '000	RM '000	
<b>At 30 June 2023</b>						
<b>Financial liability</b>						
Forward currency contracts		-	(33,684)	-	(33,684)	
<b>At 31 December 2022</b>						
<b>Financial liability</b>						
Forward currency contracts		-	(6,422)	-	(6,422)	
		Fair value of financial instruments not carried at fair value				
		Level 1	Level 2	Level 3	Total	Carrying amount
		RM '000	RM '000	RM '000	RM '000	RM '000
<b>At 30 June 2023</b>						
<b>Financial liability</b>						
Term loan						
- fixed rate		-	(325,635)	-	(325,635)	(317,210)
<b>At 31 December 2022</b>						
<b>Financial liability</b>						
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 6 Months Ended	
	30 Jun 2023	30 June 2022	30 Jun 2023	30 June 2022
	RM '000	RM '000	RM '000	RM '000
<b>Revenue</b>				
Heavy Engineering	990,933	309,910	1,395,088	668,285
Marine	65,381	90,722	157,451	150,129
	<u>1,056,314</u>	<u>400,632</u>	<u>1,552,539</u>	<u>818,414</u>
<b>Results</b>				
Heavy Engineering	(390,028)	1,131	(398,741)	4,042
Marine	3,277	18,976	16,179	22,652
Others	1,443	5,681	4,222	5,404
Eliminations/Adjustments *	(10)	(18)	(19)	(18)
<b>Operating (loss)/profit</b>	<u>(385,318)</u>	<u>25,770</u>	<u>(378,359)</u>	<u>32,080</u>
Finance cost	(3,363)	(3,566)	(6,785)	(7,183)
<b>(Loss)/Profit before taxation</b>	<u>(388,681)</u>	<u>22,204</u>	<u>(385,144)</u>	<u>24,897</u>

\* Inter-segment transactions are eliminated on consolidation.



**B1. REVIEW OF PERFORMANCE (CONT'D.)****Performance of current quarter against the quarter ended 30 June 2022 (corresponding quarter).**

The Group recorded a revenue of RM1,056.3 million in the current quarter, increased by RM655.7 million from revenue of RM400.6 million in the corresponding quarter mainly due to higher revenue from the Heavy Engineering segment.

At the operating profit level, the Group reported an operating loss of RM385.3 million against an operating profit of RM25.8 million in the corresponding quarter mainly due to additional cost provisions for ongoing projects recognised in the current quarter.

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

***Heavy Engineering***

Revenue of RM990.9 million increased by RM681.0 million from RM309.9 million in the corresponding quarter, mainly due to higher revenue from ongoing projects.

Notwithstanding the increase in revenue, the segment recorded operating loss of RM390.0 million on the back of additional cost provisions as a result of revised schedule for ongoing projects during the current quarter. The revised schedule has caused the extension of delivery dates of the ongoing projects, which was necessary to cater for the delayed onshore works. Notwithstanding the delays, the Kasawari project sailed-away offshore after this reporting period, meeting all requirements of the client. The Group is committed to working closely with all relevant parties including the clients, subcontractors and vendors to recover the additional costs incurred.

***Marine***

The segment recorded lower revenue of RM65.4 million in the current quarter compared to RM90.7 million in the corresponding quarter resulted from lesser number of vessels secured.

Consequently, the segment posted an operating profit of RM3.3 million in the current quarter, RM15.7 million lower compared to an operating profit of RM19.0 million in the corresponding quarter. The latter also included reversal of doubtful debts amounting to RM4.0 million.

**Performance of current period against financial period ended 30 June 2022 (prior period)**

Group revenue of RM1,552.5 million was RM734.1 million higher than the prior period of RM818.4 million, mainly contributed by significant increase in revenue from Heavy Engineering segment.

Despite higher revenue, the Group turned to an operating loss of RM378.4 million in the current period against an operating profit of RM32.1 million in the prior period as the current period was mainly impacted by additional cost provisions recognised for ongoing Heavy Engineering projects.

In tandem with the operating loss, the Group swung to a loss before tax of RM385.1 million in the current period against a profit before tax of RM24.9 million reported in the prior period.

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

***Heavy Engineering***

The segment posted a higher revenue of RM1,395.1 million in the current period, compared to revenue of RM668.3 million in the prior period mainly due to higher progress of ongoing projects.

At the operating profit level, the segment posted operating loss of RM398.7 million, mainly due to the additional cost provisions as a result of revised schedule for ongoing projects during the current period. The revised schedule has caused the extension of delivery dates of the ongoing projects, which was necessary to cater for the delayed onshore works. Notwithstanding the delays, the Kasawari project sailed-away offshore after this reporting period, meeting all requirements of the client. The Group is committed to working closely with all relevant parties including the clients, subcontractors and vendors to identify and recover the additional costs incurred.

***Marine***

The segment recorded a revenue of RM157.5 million in the current period, RM7.3 million higher than the prior period revenue of RM150.1 million, mainly due to higher dry-docking and repair activities.

The segment reported an operating profit of RM16.2 million in the current period, RM6.5 million lower compared to an operating profit of RM22.7 million in the corresponding period. Higher profit in the corresponding period was mainly contributed by the recovery of doubtful debts.

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

	Quarter Ended	
	30 Jun 2023 RM '000	31 Mar 2023 RM '000
<b>Revenue</b>		
Heavy Engineering	990,933	404,155
Marine	65,381	92,070
	<u>1,056,314</u>	<u>496,225</u>
<b>Results</b>		
Heavy Engineering	(390,028)	(8,713)
Marine	3,277	12,902
Others	1,443	2,779
Eliminations/Adjustments	(10)	(9)
<b>Operating (loss)/profit</b>	<u>(385,318)</u>	<u>6,959</u>
Finance cost	(3,363)	(3,422)
<b>(Loss)/Profit before taxation</b>	<u>(388,681)</u>	<u>3,537</u>

The Group posted higher revenue of RM1,056.3 million compared to preceding quarter's revenue of RM496.2 million mainly due to higher revenue from the Heavy Engineering segment.

Despite higher revenue, the Group recorded an operating loss of RM385.3 million compared to the operating profit of RM7.0 million in Quarter 1, FY 2023 mainly due to additional cost provisions recognised for ongoing Heavy Engineering projects.

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

	As at	As at	Variance %
	30 Jun 2023 RM '000	31 Dec 2022 RM '000	
Total assets	3,558,064	3,358,124	6.0%
Total equity attributable to equity holders of the Company	1,329,906	1,768,691	-24.8%
Total liabilities	2,227,324	1,588,614	40.2%

The Group's total assets increased by RM199.9 million or 6.0%, mainly due to higher trade and other receivables by RM585.1 million and property, plant and equipment by RM10.8 million. These amounts were partially offset by a decrease in cash and bank balance amounting to RM390.6 million.

Total equity attributable to equity holders decreased by RM438.8 million or 24.8% due to comprehensive loss recognised and dividend paid during the period.

The Group's total liabilities were higher by RM638.7 million mainly contributed by the increase in trade and other payables and derivatives amounting to RM629.9 million and RM27.3 million respectively. These amounts were partially offset by a decrease in borrowing amounting to RM18.0 million.

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

	Cumulative 6 Months Ended		Variance %
	30 Jun 2023 RM '000	30 June 2022 RM '000	
Net cash (used in)/generated from operating activities	(302,302)	248,107	>100%
Net cash (used in)/generated from investing activities	(38,980)	21,156	>100%
Net cash used in financing activities	(49,272)	(25,541)	92.9%
Net change in cash & cash equivalents	(390,554)	243,722	>100%

The Group recorded net cash used in operating activities of RM302.3 million against net cash generated from operating activities of RM248.1 million in the prior period mainly due to higher payments made to vendors against collections from clients during the current period.

The Group recorded net cash used in investing activities amounting to RM39.0 million compared to net cash generated from investing activities of RM21.2 million in the corresponding period mainly due to higher purchase of property, plant and equipment during the current period.

The Group recorded higher net cash used in financing activities amounting to RM49.3 million against RM25.5 million in the corresponding quarter mainly due to the dividend paid in the current period.

**B5. CURRENT YEAR PROSPECTS**

Oil prices are expected to remain high for the rest of the year in view of the continued demand from China coupled with supply shortages resulting from OPEC+ production cuts, which will likely increase CAPEX spending beyond the pre-pandemic level. In addition, the increasing significance of environmental, social and governance (ESG) will create multiple business opportunities for the Group in the renewable energy space.

On project execution, Heavy Engineering segment continues to face challenges in executing its ongoing projects within the original budgeted margins due to the impact of raw material price escalations and global supply chain disruption. These projects were awarded on a lump sum EPCIC basis by clients a few years ago. The Group will continue to pursue the recovery of these inflationary and schedule impact from clients.

The Group anticipates an increase in demand for dry-docking activities as vessel owners prepare for a rise in seaborne trade requirements for the remainder of the year. Nevertheless, stiffer competition amongst shipyards is expected to continue to impact Marine business operations since the reopening of China borders. As such, the Group anticipates the Marine segment to remain challenging.

The Group will continue to explore opportunities in both domestic and international markets with increased emphasis on decarbonisation and renewable energy. The Group is also looking into ways to improve its contracting strategies with clients through alliance concept or cost-plus basis, where possible, to mitigate the risks of global inflation for future projects. Notwithstanding the major setbacks, the Group remains committed to deliver all projects meeting clients' requirements. The Group is also committed to work closely with all relevant parties including clients, subcontractors and vendors to recover the additional costs.

**B6. PROFIT FORECAST AND PROFIT GUARANTEE**

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

**B7. TAXATION**

	30 Jun 2023 RM '000	30 June 2022 RM '000
Taxation for the period comprises the following:		
Income tax		
- current period	2	143
	<u>2</u>	<u>143</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.

**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.)**

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 16 October 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 30 June 2023 are as follows:

	<b>Contract/ Notional Amount as at 30 Jun 2023 (in RM '000)</b>	<b>Fair Value loss (in RM '000)</b>
Forward foreign currency contracts	1,006,683	(33,684)

During the period, the Group recognised a net unrealised derivatives loss of RM29,624,000 in its equity and derivatives gain of RM2,362,000 in profit or loss for the effective and ineffective portion respectively, in relation to the fair value of the cash flow hedges.

**B10. (LOSS)/PROFIT PER SHARE**

	<b>Quarter Ended</b>		<b>Cumulative 6 Months Ended</b>	
	<b>30 Jun 2023</b>	<b>30 June 2022</b>	<b>30 Jun 2023</b>	<b>30 June 2022</b>
Basic (loss)/profit per share is computed as follows:				
(Loss)/Profit for the period attributable to equity holders of the Company (RM '000)	(388,698)	21,966	(385,161)	24,689
Weighted average number of ordinary shares in issue (thousand)	1,600,000	1,600,000	1,600,000	1,600,000
<b>Basic (loss)/profit per share (sen)</b>	<b><u>(24.3)</u></b>	<b><u>1.4</u></b>	<b><u>(24.1)</u></b>	<b><u>1.5</u></b>

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 30 June 2023.

**B12. TRADE AND OTHER RECEIVABLES**

	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>
	<b>RM '000</b>	<b>RM '000</b>
Trade receivables		
Third parties	268,145	164,722
Related companies	240,030	4,183
Amount due from customers on contracts	<u>841,171</u>	<u>592,622</u>
	1,349,346	761,527
Other receivables	19,785	21,382
Less: Allowance for impairment losses	<u>(36,025)</u>	<u>(34,932)</u>
	<u>1,333,106</u>	<u>747,977</u>
<b>Trade and other receivables</b>	<u><u>1,333,106</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:-

	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>
	<b>RM '000</b>	<b>RM '000</b>
Neither past due nor impaired	448,568	102,516
1 to 30 days past due not impaired	26,409	33,567
31 to 60 days past due not impaired	406	2,606
61 to 90 days past due not impaired	49	-
More than 90 days past due not impaired	<u>1,476</u>	<u>-</u>
	476,908	138,689
Impaired	<u>31,267</u>	<u>30,216</u>
<b>Trade receivables</b>	<u><u>508,175</u></u>	<u><u>168,905</u></u>