

QUARTERLY REPORT

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

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

	QUARTER ENDED		CUMULATIVE 9 MONTHS ENDED	
	30 SEP 2023	30 SEP 2022	30 SEP 2023	30 SEP 2022
	RM '000	RM '000	RM '000	RM '000
Revenue	638,470	409,227	2,191,009	1,227,641
Other operating (expense)/income	<u>(15,870)</u>	<u>16,382</u>	<u>(5,130)</u>	<u>53,495</u>
Operating (loss)/profit	(100,208)	19,056	(478,567)	51,136
Finance cost	(3,737)	(3,550)	(10,522)	(10,733)
(Loss)/Profit before taxation	<u>(103,945)</u>	<u>15,506</u>	<u>(489,089)</u>	<u>40,403</u>
Taxation	<u>(1,141)</u>	<u>230</u>	<u>(1,143)</u>	<u>87</u>
(Loss)/Profit after taxation	<u>(105,086)</u>	<u>15,736</u>	<u>(490,232)</u>	<u>40,490</u>
Other comprehensive (loss)/income:				
Fair value through other comprehensive (loss)/income:				
Changes in fair value of hedging derivatives	<u>12,978</u>	<u>4,181</u>	<u>(16,646)</u>	<u>6,580</u>
Total comprehensive (loss)/income for the period	<u>(92,108)</u>	<u>19,917</u>	<u>(506,878)</u>	<u>47,070</u>
(Loss)/Profit attributable to:				
Equity holders of the Company	(105,208)	15,945	(490,369)	40,634
Non-controlling interests	<u>122</u>	<u>(209)</u>	<u>137</u>	<u>(144)</u>
	<u>(105,086)</u>	<u>15,736</u>	<u>(490,232)</u>	<u>40,490</u>
Total comprehensive (loss)/income attributable to:				
Equity holders of the Company	(92,230)	20,126	(507,015)	47,214
Non-controlling interests	<u>122</u>	<u>(209)</u>	<u>137</u>	<u>(144)</u>
	<u>(92,108)</u>	<u>19,917</u>	<u>(506,878)</u>	<u>47,070</u>
(Loss)/Profit per share attributable to equity holders of the Company:				
(i) Basic (sen)	(6.6)	1.0	(30.6)	2.5
(ii) Dilutive (sen)	(6.6)	1.0	(30.6)	2.5

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023

	30 SEP 2023 RM '000	31 DEC 2022 RM '000
Non-current assets		
Property, plant and equipment	1,494,678	1,493,445
Right-of-use assets	194,275	200,408
Investment in joint ventures	1,516	1,516
Deferred tax assets	93,293	93,293
	<u>1,783,762</u>	<u>1,788,662</u>
Current assets		
Inventories	2,304	2,767
Trade and other receivables	1,161,603	747,977
Tax recoverable	13,722	21,680
Cash and bank balances	488,532	797,038
	<u>1,666,161</u>	<u>1,569,462</u>
TOTAL ASSETS	<u>3,449,923</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	(22,346)	(5,700)
(Accumulated losses)/ Retained earnings	(358,241)	156,128
	<u>1,237,676</u>	<u>1,768,691</u>
Non-controlling interests	956	819
Total equity	<u>1,238,632</u>	<u>1,769,510</u>
Non-current liabilities		
Borrowing	270,552	298,971
Lease liabilities	3,926	4,725
	<u>274,478</u>	<u>303,696</u>
Current liabilities		
Trade and other payables	1,618,682	1,241,250
Borrowings	270,585	36,216
Lease liabilities	1,060	1,030
Derivatives	46,486	6,422
	<u>1,936,813</u>	<u>1,284,918</u>
Total liabilities	<u>2,211,291</u>	<u>1,588,614</u>
TOTAL EQUITY AND LIABILITIES	<u>3,449,923</u>	<u>3,358,124</u>

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

	30 SEP 2023	30 SEP 2022
	RM '000	RM '000
(Loss)/Profit before taxation	(489,089)	40,403
Adjustments for:		
Property, plant and equipment		
- depreciation	52,119	52,906
- write-offs	56	232
Right-of-use assets		
- amortisation	6,133	6,232
Net allowance/(reversal) of impairment loss on trade receivables	1,093	(17,725)
Interest income	(9,603)	(13,083)
Net unrealised gain on foreign exchange	(7,770)	(2,979)
Changes in fair value loss/(gain) of hedging derivatives	23,418	(8,989)
Finance cost	10,522	10,733
Operating (loss)/profit before working capital changes	<u>(413,121)</u>	<u>67,730</u>
Inventories	463	1,118
Trade and other receivables	(414,720)	126,575
Trade and other payables	<u>385,201</u>	<u>(21,705)</u>
Cash (used in)/generated from operations	(442,177)	173,718
Tax paid	(17)	(429)
Tax refund	6,834	-
Net cash (used in)/generated from operating activities	<u>(435,360)</u>	<u>173,289</u>
Purchase of property, plant and equipment	(53,408)	(17,635)
Net proceeds from disposal of non-current asset held for sale	-	14,312
Interest received	9,603	13,083
Dividend income from joint venture	-	7,367
Net cash (used in)/generated from investing activities	<u>(43,805)</u>	<u>17,127</u>
Dividends paid to equity holders of the Company	(24,000)	-
Drawdown on revolving credits	233,000	-
Interest paid on revolving credits	(435)	-
Payment of principal on long term borrowing	(27,050)	(26,201)
Interest paid on long term borrowing	(9,929)	(10,682)
Payment of principal portion of lease liabilities	(769)	(969)
Interest paid on lease liabilities	(158)	(51)
Net cash generated from/(used in) financing activities	<u>170,659</u>	<u>(37,903)</u>
Net change in cash & cash equivalents	(308,506)	152,513
Cash & cash equivalents at the beginning of the period	784,856	697,731
Cash & cash equivalents at the end of the period	<u>476,350</u>	<u>850,244</u>
Cash at banks and in hand	386,067	65,733
IFSSC bank balance	100,483	569,164
Deposits with licensed banks	1,982	227,529
	<u>488,532</u>	<u>862,426</u>
Less: Cash pledged with the bank - restricted	(12,182)	(12,182)
	<u>476,350</u>	<u>850,244</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 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
9 MONTHS ENDED 30 SEPTEMBER 2023						
At 1 January 2023	1,618,263	156,128	(5,700)	1,768,691	819	1,769,510
Total comprehensive (loss)/income	-	(490,369)	(16,646)	(507,015)	137	(506,878)
Dividends paid to equity holders of the Company	-	(24,000)	-	(24,000)	-	(24,000)
At 30 September 2023	<u>1,618,263</u>	<u>(358,241)</u>	<u>(22,346)</u>	<u>1,237,676</u>	<u>956</u>	<u>1,238,632</u>
9 MONTHS ENDED 30 SEPTEMBER 2022						
At 1 January 2022	1,618,263	88,355	(165)	1,706,453	954	1,707,407
Total comprehensive income/(loss)	-	40,634	6,580	47,214	(144)	47,070
At 30 September 2022	<u>1,618,263</u>	<u>128,989</u>	<u>6,415</u>	<u>1,753,667</u>	<u>810</u>	<u>1,754,477</u>

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 7 November 2023.

A2. BASIS OF PREPARATION

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

A9. BORROWINGS

The tenure of Group borrowings is as follows:

	30 Sep 2023 RM '000	31 Dec 2022 RM '000
Non-current		
Secured - Term Loan	<u>270,552</u>	<u>298,971</u>
	<u>270,552</u>	<u>298,971</u>
Current		
Secured - Term Loan	37,585	36,216
Unsecured - Revolving Credits	<u>233,000</u>	<u>-</u>
	<u>270,585</u>	<u>36,216</u>
Total Borrowings	<u><u>541,137</u></u>	<u><u>335,187</u></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
Revenue					
External	<u>1,965,335</u>	<u>225,674</u>	<u>-</u>	<u>-</u>	<u>2,191,009</u>
Results					
Operating (loss)/profit	<u>(506,477)</u>	<u>20,447</u>	<u>7,491</u>	<u>(28) *</u>	<u>(478,567)</u>
Finance costs					(10,522)
Loss before taxation					<u><u>(489,089)</u></u>

* Inter-segment transactions are eliminated on consolidation.

A12. (LOSS)/PROFIT FOR THE PERIOD

	Quarter Ended		Cumulative 9 Months Ended	
	30 Sep 2023 RM '000	30 Sep 2022 RM '000	30 Sep 2023 RM '000	30 Sep 2022 RM '000
(Loss)/Profit for the period is arrived at after charging:				
Property, plant and equipment				
- depreciation	16,581	17,764	52,119	52,906
- write offs	56	87	56	232
Right-of-use assets				
- amortisation	2,083	1,932	6,133	6,232
Net unrealised loss on foreign exchange	-	147	-	-
Changes in fair value of hedging derivatives	25,780	-	23,418	-
Finance cost	3,737	3,550	10,522	10,733
Net allowance of impairment loss on trade receivables	-	-	1,093	-
Rental expenses				
- Plant and machineries	7,535	14,238	34,754	35,451
- Office equipment	222	1,008	4,955	2,688
- Transportation	927	1,543	2,867	4,281
- Others	10	165	155	258

	Quarter Ended		Cumulative 9 Months Ended	
	30 Sep 2023 RM '000	30 Sep 2022 RM '000	30 Sep 2023 RM '000	30 Sep 2022 RM '000
(Loss)/Profit for the period is arrived at after (crediting):				
Net income from scrap disposal	(67)	(262)	(1,711)	(803)
Interest income	(2,242)	(5,154)	(9,603)	(13,083)
Changes in fair value of hedging derivatives	-	(2,081)	-	(8,989)
Net unrealised gain on foreign exchange	(11,894)	-	(7,770)	(2,979)
Net reversal of impairment loss on trade receivables	-	(4,418)	-	(17,725)
Rental income				
- land	(91)	(21)	(270)	(279)
- building	(463)	(935)	(1,115)	(1,722)
- equipments	(88)	(145)	(351)	(686)

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 September 2023 comprise the following:

	30 Sep 2023 RM '000	31 Dec 2022 RM '000
Unsecured		
Bank guarantees extended to: -		
- Related companies	685,803	528,658
- Third parties	166,787	212,840
	<u>852,590</u>	<u>741,498</u>

A18. CAPITAL COMMITMENTS

	30 Sep 2023 RM '000	31 Dec 2022 RM '000
Approved and contracted for	85,684	78,121
Approved but not contracted for	64,363	171,809
	<u>150,047</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				Total RM '000
	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	Total RM '000	
At 30 September 2023					
Financial liability					
Forward currency contracts	-	(46,486)	-	-	(46,486)
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 30 September 2023					
Financial liability					
Term loan					
- fixed rate	-	(314,887)	-	(314,887)	(308,137)
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 9 Months Ended	
	30 Sep 2023 RM '000	30 Sep 2022 RM '000	30 Sep 2023 RM '000	30 Sep 2022 RM '000
Revenue				
Heavy Engineering	570,247	320,100	1,965,335	988,385
Marine	68,223	89,127	225,674	239,256
	<u>638,470</u>	<u>409,227</u>	<u>2,191,009</u>	<u>1,227,641</u>
Results				
Heavy Engineering	(107,736)	1,416	(506,477)	5,458
Marine	4,370	16,970	20,447	39,622
Others	3,168	680	7,491	6,084
Eliminations/Adjustments *	(9)	(10)	(28)	(28)
Operating (loss)/profit	<u>(100,207)</u>	<u>19,056</u>	<u>(478,567)</u>	<u>51,136</u>
Finance cost	(3,737)	(3,550)	(10,522)	(10,733)
(Loss)/Profit before taxation	<u>(103,944)</u>	<u>15,506</u>	<u>(489,089)</u>	<u>40,403</u>

* Inter-segment transactions are eliminated on consolidation.

Performance of current quarter against the quarter ended 30 September 2022 (corresponding quarter).

Group revenue of RM638.5 million was RM229.2 million higher compared to the corresponding quarter due to higher revenue from the Heavy Engineering segment.

The Group recorded an operating loss of RM100.2 million against an operating profit of RM19.1 million in the corresponding quarter mainly due to additional cost provisions for ongoing Heavy Engineering projects. In addition, the weakening of Malaysian Ringgit against United States Dollar had impacted the hedging of receivables for a project.

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

Heavy Engineering

The segment recorded revenue of RM570.2 million in the current quarter compared to RM320.1 million in the corresponding quarter mainly due to higher revenue from new and ongoing projects.

Despite higher revenue, the segment recorded an operating loss of RM107.7 million in the current quarter compared to an operating profit of RM1.4 million in the corresponding quarter mainly due to additional cost provisions from the price escalation impact on ongoing projects. In addition, the weakening of Malaysian Ringgit against United States Dollar had impacted the hedging of receivables for a project.

Marine

Revenue of RM68.2 million was RM20.9 million lower compared to RM89.1 million in the corresponding quarter due to lower number of vessels secured.

The segment posted an operating profit of RM4.4 million in the current quarter, RM12.6 million lower compared to an operating profit of RM17.0 million in the corresponding quarter. Lower operating profit was mainly due to lower revenue in the current quarter and also due to the doubtful debts being recovered in the corresponding quarter.

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

The Group posted revenue of RM2,191.0 million, RM963.4 million higher than the prior period revenue of RM1,227.6 million, contributed by significant increase in revenue from Heavy Engineering segment.

Notwithstanding the increase in revenue, the Group reported an operating loss of RM478.6 million in the current period against an operating profit of RM51.1 million in the prior period as the current period was impacted by additional cost provisions recognised for ongoing Heavy Engineering projects.

B1. REVIEW OF PERFORMANCE (CONT'D.)**Performance of current period against financial period ended 30 September 2022 (prior period) (cont'd.)**

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

Heavy Engineering

The Heavy Engineering segment recorded revenue of RM1,965.3 million, an increase of RM977.0 million in the current period, compared to RM988.3 million in the prior period mainly due to higher revenue from new and ongoing projects.

At the operating profit level, the segment posted operating loss of RM506.5 million, mainly due to the additional cost provisions as a result of revised schedule and price escalation impact on 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.

Marine

The segment recorded a revenue of RM225.7 million in the current period, RM13.6 million lower than the prior period revenue of RM239.3 million, mainly due to lower of number vessels secured.

The segment reported an operating profit of RM20.4 million in the current period, RM19.2 million lower compared to an operating profit of RM39.6 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 Sep 2023 RM '000	30 Jun 2023 RM '000
Revenue		
Heavy Engineering	570,247	990,933
Marine	68,223	65,381
	<u>638,470</u>	<u>1,056,314</u>
Results		
Heavy Engineering	(107,736)	(390,028)
Marine	4,370	3,277
Others	3,168	1,443
Eliminations/Adjustments	(9)	(10)
Operating loss	<u>(100,207)</u>	<u>(385,318)</u>
Finance cost	(3,737)	(3,363)
Loss before taxation	<u>(103,944)</u>	<u>(388,681)</u>

The Group posted lower revenue of RM638.5 million compared to preceding quarter's revenue of RM1,056.3 million mainly due to lower revenue from the Heavy Engineering segment.

At the operating profit level, the Group recorded operating loss of RM100.2 million, compared to RM385.3 million operating loss in Quarter 2, FY 2023. In the previous quarter, the Group suffered higher cost provisions for ongoing Heavy Engineering projects.

B3. REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 Sep 2023 RM '000	As at 31 Dec 2022 RM '000	Variance %
Total assets	3,449,923	3,358,124	2.7%
Total equity attributable to equity holders of the Company	1,237,676	1,768,691	-30.0%
Total liabilities	2,211,291	1,588,614	39.2%

The Group's total assets increased by RM91.8 million or 2.7%, mainly due to higher trade and other receivables by RM413.6 million. These amounts were partially offset by a decrease in cash and bank balance amounting to RM308.5 million.

Total equity attributable to equity holders decreased by RM531.0 million or 30.0% due to comprehensive loss recognised and dividend paid during the period.

The Group's total liabilities were higher by RM622.7 million mainly contributed by the increase in trade and other payables and borrowings amounting to RM377.4 million and RM206.0 million respectively.

B4. REVIEW OF CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative 9 Months Ended		Variance
	30 Sep 2023 RM '000	30 Sep 2022 RM '000	%
Net cash (used in)/generated from operating activities	(435,360)	173,289	>100%
Net cash (used in)/generated from investing activities	(43,805)	17,127	>100%
Net cash generated from/(used in) financing activities	170,659	(37,903)	>100%
Net change in cash & cash equivalents	(308,506)	152,513	>100%

The Group recorded net cash used in operating activities of RM435.4 million against net cash generated from operating activities of RM173.3 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 RM43.8 million compared to net cash generated from investing activities of RM17.1 million in the corresponding period mainly due to higher purchase of property, plant and equipment during the current period.

The Group recorded net cash generated from financing activities amounting to RM170.7 million against net cash used in investing activities of RM37.9 million in the corresponding period mainly due to drawdown of revolving credit facilities in the current period.

B5. CURRENT YEAR PROSPECTS

The recent Middle East conflict together with OPEC+ continued commitment towards supply cuts could further tighten global oil supply and lead to higher oil prices amidst growing global demand. This 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 some of 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 demand for energy shipment to rise particularly in Far East countries and Europe in the upcoming winter. Therefore, demand for dry-docking activities is likely to be slower. This could potentially lead to a decrease in market share, as vessel owners prepare for a surge in seaborne trade requirements for the remainder of the year. Furthermore, competition amongst shipyards is anticipated to remain stiff. As such, the Group expects the Marine business 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 our 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 collaborate with clients, subcontractors and vendors in recovering 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 Sep 2023 RM '000	30 Sep 2022 RM '000
Taxation for the period comprises the following:		
Income tax		
- current period	425	(87)
- prior period	718	-
	1,143	(87)

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.

Pursuant to the Statement of Claim by KPOC dated 13 October 2019, total claims of approximately RM93.1 million were made in relation to loss and damage in respect of the valves procured by MMHE. KPOC, subsequently, as part of its Closing Submissions dated 9 March 2021, identified its claim amount as RM58.9 million.

By way of Final Award dated 23 July 2021 that was made available to MMHE on 3 August 2021 ("Final Award"), the Arbitral Tribunal has ordered that MMHE shall pay KPOC the following:-

- a) The sum of RM17,241,178 as damages for the expenses incurred by KPOC for assessment, procurement and replacement of valves in the period of 2016 to 2019, together with interest at the rate of 5% per annum from 11 October 2019 to the date of payment;
- b) The sum of RM9,820,770 as damages suffered by KPOC in having to procure 1,365 valves and install 1,454 valves in the future, together with interest at the rate of 5% per annum from 11 October 2019 till the date of payment; and
- c) The sum of RM1,029,167 for its legal fees and expenses.

In the Final Award, the Arbitral Tribunal dismissed all of KPOC's claim for loss of revenue in the sum of RM28,030,906.

On 30 September 2021, MMHE filed an application to set aside the Final Award pursuant to Section 37 of the Arbitration Act 2005, whereby MMHE seeks for the Final Award to be set aside on grounds, amongst others, that there was a breach of the rules of natural justice in connection with the making of the Final Award. KPOC, in this regard, has filed an application to seek leave from the High Court to register and enforce the Final Award as a Judgment of the High Court (collectively, "Applications").

The Applications were 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 at the Court of Appeal against the Orders of the High Court dated 30 August 2022. KPOC was instructed to obtain the Grounds of Judgment from the High Court, which was made available on 5 September 2023. In light of the above, at the last case management on 16 October 2023, the Court of Appeal fixed KPOC's Appeals for Hearing on 11 July 2024. A case management was scheduled on 27 June 2024, during which the Parties will provide an update on the status of filing the written submissions, ahead of the Hearing.

B9. DERIVATIVES

Details of the Group's derivative financial instruments outstanding as at 30 September 2023 are as follows:

	Contract/ Notional Amount as at 30 Sep 2023 (in RM '000)	Fair Value loss (in RM '000)
Forward foreign currency contracts	851,725	(46,486)

During the period, the Group recognised a net unrealised derivatives loss of RM16,646,000 in its equity and derivatives loss of RM23,418,000 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

	Quarter Ended		Cumulative 9 Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
Basic (loss)/profit per share is computed as follows:				
(Loss)/Profit for the period attributable to equity holders of the Company (RM '000)	(105,208)	15,945	(490,369)	40,634
Weighted average number of ordinary shares in issue (thousand)	1,600,000	1,600,000	1,600,000	1,600,000
Basic (loss)/profit per share (sen)	<u>(6.6)</u>	<u>1.0</u>	<u>(30.6)</u>	<u>2.5</u>

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 September 2023.

B12. TRADE AND OTHER RECEIVABLES

	30 Sep 2023 RM '000	31 Dec 2022 RM '000
Trade receivables		
Third parties	98,111	164,722
Related companies	87,982	4,183
Amount due from customers on contracts	<u>977,244</u>	<u>592,622</u>
	1,163,337	761,527
Other receivables	34,290	21,382
Less: Allowance for impairment losses	<u>(36,024)</u>	<u>(34,932)</u>
	<u>1,161,603</u>	<u>747,977</u>
Trade and other receivables	<u>1,161,603</u>	<u>747,977</u>

Credit terms of trade and other receivables for the Group, including trade receivables from related companies and amounts due from joint venture range from 30 days to 60 days.

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

	30 Sep 2023 RM '000	31 Dec 2022 RM '000
Neither past due nor impaired	127,963	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	-
	<u>154,827</u>	<u>138,689</u>
Impaired	<u>31,266</u>	<u>30,216</u>
Trade receivables	<u>186,093</u>	<u>168,905</u>