

QUARTERLY REPORT

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	QUARTER ENDED		YEAR ENDED	
	31 DEC 2023	31 DEC 2022	31 DEC 2023	31 DEC 2022
	RM '000	RM '000	RM '000	RM '000
Revenue	1,118,383	424,002	3,309,392	1,651,643
Other operating income	<u>5,560</u>	<u>7,470</u>	<u>430</u>	<u>60,965</u>
Operating profit/(loss)	10,897	9,780	(467,670)	60,916
Finance cost	(4,860)	(3,449)	(15,382)	(14,182)
Profit/(Loss) before taxation	<u>6,037</u>	<u>6,331</u>	<u>(483,052)</u>	<u>46,734</u>
Taxation	<u>-</u>	<u>20,817</u>	<u>(1,143)</u>	<u>20,904</u>
Profit/(Loss) after taxation	<u>6,037</u>	<u>27,148</u>	<u>(484,195)</u>	<u>67,638</u>
Other comprehensive income/(loss):				
Fair value through other comprehensive income/(loss):				
Changes in fair value of hedging derivatives	<u>22,671</u>	<u>(12,115)</u>	<u>6,025</u>	<u>(5,535)</u>
Total comprehensive income/(loss) for the period/year	<u>28,708</u>	<u>15,033</u>	<u>(478,170)</u>	<u>62,103</u>
Profit/(Loss) attributable to:				
Equity holders of the Company	6,184	27,139	(484,185)	67,773
Non-controlling interests	<u>(147)</u>	<u>9</u>	<u>(10)</u>	<u>(135)</u>
	<u>6,037</u>	<u>27,148</u>	<u>(484,195)</u>	<u>67,638</u>
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	28,855	15,024	(478,160)	62,238
Non-controlling interests	<u>(147)</u>	<u>9</u>	<u>(10)</u>	<u>(135)</u>
	<u>28,708</u>	<u>15,033</u>	<u>(478,170)</u>	<u>62,103</u>
Profit/(Loss) per share attributable to equity holders of the Company:				
(i) Basic (sen)	0.4	1.7	(30.3)	4.2
(ii) Dilutive (sen)	0.4	1.7	(30.3)	4.2

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

	31 DEC 2023 RM '000	31 DEC 2022 RM '000
Non-current assets		
Property, plant and equipment	1,507,699	1,493,445
Right-of-use assets	195,357	200,408
Investment in joint ventures	1,516	1,516
Deferred tax assets	93,293	93,293
	<u>1,797,865</u>	<u>1,788,662</u>
Current assets		
Inventories	2,815	2,767
Trade and other receivables	1,291,022	747,977
Tax recoverable	49	21,680
Cash and bank balances	557,571	797,038
	<u>1,851,457</u>	<u>1,569,462</u>
TOTAL ASSETS	<u>3,649,322</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	325	(5,700)
(Accumulated losses)/ Retained earnings	(352,058)	156,128
	<u>1,266,530</u>	<u>1,768,691</u>
Non-controlling interests	810	819
Total equity	<u>1,267,340</u>	<u>1,769,510</u>
Non-current liabilities		
Borrowing	261,251	298,971
Lease liabilities	7,233	4,725
	<u>268,484</u>	<u>303,696</u>
Current liabilities		
Trade and other payables	1,980,999	1,241,250
Borrowings	105,719	36,216
Lease liabilities	732	1,030
Derivatives	26,048	6,422
	<u>2,113,498</u>	<u>1,284,918</u>
Total liabilities	<u>2,381,982</u>	<u>1,588,614</u>
TOTAL EQUITY AND LIABILITIES	<u>3,649,322</u>	<u>3,358,124</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	31 DEC 2023	31 DEC 2022
	RM '000	RM '000
(Loss)/Profit before taxation	(483,052)	46,734
Adjustments for:		
Property, plant and equipment		
- depreciation	67,785	71,619
- write-offs	56	232
Right-of-use assets		
- amortisation	7,991	8,251
Net allowance/(reversal) of impairment loss on trade receivables	1,057	(21,214)
Interest income	(15,763)	(22,216)
Net unrealised (gain)/loss on foreign exchange	(6,353)	1,755
Changes in fair value loss/(gain) of hedging derivatives	25,651	(3,813)
Finance cost	15,382	14,182
Operating (loss)/profit before working capital changes	(387,246)	95,530
Inventories	(48)	841
Trade and other receivables	(544,101)	105,546
Trade and other payables	746,152	(65,494)
Cash (used in)/generated from operations	(185,243)	136,423
Tax paid	(17)	(572)
Tax refund	20,505	-
Net cash (used in)/generated from operating activities	(164,755)	135,851
Purchase of property, plant and equipment	(82,095)	(40,533)
Net proceeds from disposal of non-current asset held for sale	-	14,312
Interest received	15,763	20,486
Dividend income from joint venture	-	7,391
Net cash (used in)/generated from investing activities	(66,332)	1,656
Dividends paid to equity holders of the Company	(24,000)	-
Drawdown on revolving credits	233,000	-
Payment of revolving credits	(165,000)	-
Interest paid on revolving credits	(1,951)	-
Payment of principal on long term borrowing	(36,217)	(34,449)
Interest paid on long term borrowing	(13,085)	(14,744)
Payment of principal portion of lease liabilities	(781)	(1,081)
Interest paid on lease liabilities	(346)	(108)
Net cash used in financing activities	(8,380)	(50,382)
Net change in cash & cash equivalents	(239,467)	87,125
Cash & cash equivalents at the beginning of the year	784,856	697,731
Cash & cash equivalents at the end of the year	545,389	784,856
Cash at banks and in hand	181,214	75,408
IFSSC bank balance	206,168	593,901
Deposits with licensed banks	170,189	127,729
	557,571	797,038
Less: Cash pledged with the bank - restricted	(12,182)	(12,182)
	545,389	784,856

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	<-----Attributable to equity----->					Total Equity
	holders of the Company			Total	Non-controlling Interests	
	Share Capital	Distributable Retained Earnings/ (Accumulated Losses)	Fair Value through OCI Reserve			
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
YEAR ENDED 31 DECEMBER 2023						
At 1 January 2023	1,618,263	156,128	(5,700)	1,768,691	819	1,769,510
Total comprehensive (loss)/income	-	(484,185)	6,025	(478,160)	(10)	(478,170)
Dividends paid to equity holders of the Company	-	(24,000)	-	(24,000)	-	(24,000)
At 31 December 2023	<u>1,618,263</u>	<u>(352,057)</u>	<u>325</u>	<u>1,266,531</u>	<u>809</u>	<u>1,267,340</u>
YEAR ENDED 31 DECEMBER 2022						
At 1 January 2022	1,618,263	88,355	(165)	1,706,453	954	1,707,407
Total comprehensive income/(loss)	-	67,773	(5,535)	62,238	(135)	62,103
At 31 December 2022	<u>1,618,263</u>	<u>156,128</u>	<u>(5,700)</u>	<u>1,768,691</u>	<u>819</u>	<u>1,769,510</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 13 February 2024.

A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the year ended 31 December 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 year other than as disclosed in the condensed consolidated interim financial statements.

A7. MATERIAL CHANGES IN ACCOUNTING ESTIMATES

There were no material changes in estimates of the amounts reported in the most recent audited financial statements of the Group for the year ended 31 December 2022 that may have a material effect in the current year results.

A8. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuance or repayment of debt and equity securities made by the Group during the year ended 31 December 2023.

A9. BORROWINGS

The tenure of Group borrowings is as follows:

	31 Dec 2023 RM '000	31 Dec 2022 RM '000
Non-current		
Secured - Term Loan	261,251	298,971
	<u>261,251</u>	<u>298,971</u>
Current		
Secured - Term Loan	37,719	36,216
Unsecured - Revolving Credits	68,000	-
	<u>105,719</u>	<u>36,216</u>
Total Borrowings	<u><u>366,970</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 year 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>2,985,525</u>	<u>323,867</u>	<u>-</u>	<u>-</u>	<u>3,309,392</u>
Results					
Operating (loss)/profit	<u>(499,111)</u>	<u>22,466</u>	<u>9,012</u>	<u>(37) *</u>	<u>(467,670)</u>
Finance costs					(15,382)
Loss before taxation					<u><u>(483,052)</u></u>

* Inter-segment transactions are eliminated on consolidation.

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

	Quarter Ended		Year Ended	
	31 Dec 2023 RM '000	31 Dec 2022 RM '000	31 Dec 2023 RM '000	31 Dec 2022 RM '000
Profit/(Loss) for the period/year is arrived at after charging:				
Property, plant and equipment				
- depreciation	15,666	18,713	67,785	71,619
- write offs	-	-	56	232
Right-of-use assets				
- amortisation	1,858	2,019	7,991	8,251
Net unrealised loss on foreign exchange	1,417	4,734	-	1,755
Changes in fair value of hedging derivatives	2,233	5,176	25,651	-
Finance cost	4,860	3,449	15,382	14,182
Net allowance of impairment loss on trade receivables	-	-	1,057	-
Rental expenses				
- Plant and machineries	9,596	10,482	44,350	45,933
- Office equipment	1,790	2,743	6,745	5,431
- Transportation	1,608	917	4,475	5,198
- Others	198	63	353	321

	Quarter Ended		Year Ended	
	31 Dec 2023 RM '000	31 Dec 2022 RM '000	31 Dec 2023 RM '000	31 Dec 2022 RM '000
Profit/(Loss) for the period/year is arrived at after (crediting):				
Net income from scrap disposal	(431)	(1,106)	(2,142)	(1,909)
Interest income	(6,160)	(9,133)	(15,763)	(22,216)
Changes in fair value of hedging derivatives	-	-	-	(3,813)
Net unrealised gain on foreign exchange	-	-	(6,353)	-
Net reversal of impairment loss on trade receivables	(36)	(3,488)	-	(21,213)
Rental income	(1,434)	(760)	(3,170)	(3,357)

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 year end date.

A15. CHANGES IN THE COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group.

A16. DISCONTINUED OPERATIONS

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

A17. CONTINGENT LIABILITIES

Contingent liabilities of the Group as at 31 December 2023 comprise the following:

	31 Dec 2023 RM '000	31 Dec 2022 RM '000
Unsecured		
Bank guarantees extended to: -		
- Related companies	682,220	528,658
- Third parties	329,860	212,840
	<u>1,012,080</u>	<u>741,498</u>

A18. CAPITAL COMMITMENTS

	31 Dec 2023 RM '000	31 Dec 2022 RM '000
Approved and contracted for	131,397	78,121
Approved but not contracted for	86,613	171,809
	<u>218,010</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 31 December 2023					
Financial liability					
Forward currency contracts	-	(26,048)	-	-	(26,048)
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 December 2023					
Financial liability					
Term loan					
- fixed rate	-	(305,572)	-	(305,572)	(298,970)
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		Year Ended	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	RM '000	RM '000	RM '000	RM '000
Revenue				
Heavy Engineering	1,020,190	326,406	2,985,525	1,314,791
Marine	98,193	97,596	323,867	336,852
	<u>1,118,383</u>	<u>424,002</u>	<u>3,309,392</u>	<u>1,651,643</u>
Results				
Heavy Engineering	7,366	(14,158)	(499,111)	(8,700)
Marine	2,019	22,027	22,466	61,649
Others	1,521	1,921	9,012	8,005
Eliminations/Adjustments *	(9)	(10)	(37)	(38)
Operating profit/(loss)	<u>10,897</u>	<u>9,780</u>	<u>(467,670)</u>	<u>60,916</u>
Finance cost	(4,860)	(3,449)	(15,382)	(14,182)
Profit/(Loss) before taxation	<u>6,037</u>	<u>6,331</u>	<u>(483,052)</u>	<u>46,734</u>

* Inter-segment transactions are eliminated on consolidation.

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

The Group recorded a revenue of RM1,118.4 million in the current quarter, increased by RM694.4 million from revenue of RM424.0 million in the corresponding quarter mainly due to higher revenue from the Heavy Engineering segment.

Despite the higher revenue, the Group recorded an operating profit of RM10.9 million, almost level with the operating profit of RM9.8 million in the corresponding quarter.

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

Heavy Engineering

Revenue of RM1,020.2 million increased by RM693.8 million from RM326.4 million in the corresponding quarter, mainly due to higher revenue from new and ongoing projects.

The segment recorded an operating profit of RM7.4 million in the current quarter compared to an operating loss of RM14.2 million in the corresponding quarter, resulted from partial recognition of cost recovery claims negated by the additional cost provisions for an ongoing project during the quarter.

Marine

The Marine segment recorded revenue of RM98.2 million in the current quarter, marginally higher than the RM97.6 million revenue in the corresponding quarter.

Notwithstanding the same level of revenue, the segment posted significantly lower operating profit of RM2.0 million in the current quarter, RM20.0 million lower compared to an operating profit of RM22.0 million in the corresponding quarter. Lower operating profit was mainly resulted from the lower margins due to the stiff competition in the market. Demand for energy shipment is higher in the current winter season, leading to slower demand for dry-docking activities. The higher operating profit in the corresponding quarter was also contributed by the recovery of doubtful debts.

Performance of current year against financial year ended 31 December 2022 (prior year)

Group revenue of RM3,309.4 million, RM1,657.8 million higher than the prior year revenue of RM1,651.6 million, contributed by significant increase in revenue from the Heavy Engineering segment.

Notwithstanding the increase in revenue, the Group reported an operating loss of RM467.7 million in the current year against an operating profit of RM60.9 million in the prior year as the current year was impacted by additional cost provisions recognised for ongoing Heavy Engineering projects. In addition, the weakening of Malaysian Ringgit against United States Dollar had negatively impacted the hedging of receivables for a Heavy Engineering project.

B1. REVIEW OF PERFORMANCE (CONT'D.)**Performance of current year against financial year ended 31 December 2022 (prior year) (cont'd.)**

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

Heavy Engineering

The Heavy Engineering segment recorded revenue of RM2,985.5 million, more than double of RM1,314.8 million revenue in the prior year mainly due to higher revenue from new and ongoing projects.

Despite the significant growth in revenue, at the operating profit level, the segment posted operating loss of RM499.1 million, mainly due to the additional cost provisions resulted from revised schedule and price escalation impact on ongoing projects during the current year. In addition, the weakening of Malaysian Ringgit against United States Dollar had negatively impacted the hedging of receivables for a project.

Marine

Revenue of RM323.9 million in the current year was RM13.0 million lower than the prior year revenue of RM336.9 million, mainly due to lower dry-docking services for LNG carriers and other vessels during the year. Lower dry-docking activities were contributed by the re-opening of China's borders beginning 2023.

The segment reported an operating profit of RM22.5 million in the current year, RM39.1 million lower compared to an operating profit of RM61.6 million in the corresponding year. Higher profit in the corresponding year was mainly contributed by the higher revenue and margins coupled with recovery of doubtful debts.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Quarter Ended	
	31 Dec 2023 RM '000	30 Sep 2023 RM '000
Revenue		
Heavy Engineering	1,020,190	570,247
Marine	98,193	68,223
	<u>1,118,383</u>	<u>638,470</u>
Results		
Heavy Engineering	7,366	(107,736)
Marine	2,019	4,370
Others	1,521	3,168
Eliminations/Adjustments	(9)	(9)
Operating profit/(loss)	<u>10,897</u>	<u>(100,207)</u>
Finance cost	(4,860)	(3,737)
Profit/(Loss) before taxation	<u>6,037</u>	<u>(103,944)</u>

The Group posted higher revenue of RM1,118.4 million compared to preceding quarter's revenue of RM638.5 million mainly due to higher revenue from both Heavy Engineering and marine segment.

At the operating profit level, the Group recorded operating profit of RM10.9 million, compared to RM100.2 million operating loss in Quarter 3, FY 2023 mainly due to the partial recognition of cost recovery claims negated by the additional cost provisions for an ongoing project. In the previous quarter, the Group suffered losses due to additional cost provisions for ongoing Heavy Engineering projects coupled with the weakening of Malaysian Ringgit against United States Dollar which had negatively impacted the hedging of receivables for a project.

B3. REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 Dec 2023 RM '000	As at 31 Dec 2022 RM '000	Variance %
Total assets	3,649,322	3,358,124	8.7%
Total equity attributable to equity holders of the Company	1,266,530	1,768,691	-28.4%
Total liabilities	2,381,982	1,588,614	49.9%

The Group's total assets increased by RM291.2 million or 8.7%, mainly due to higher trade and other receivables by RM534.0 million. The amount was partially offset by a decrease in cash and bank balances amounting to RM239.5 million.

Total equity attributable to equity holders decreased by RM502.2 million or 28.4% due to comprehensive loss recognised and dividend paid during the year.

The Group's total liabilities were higher by RM793.4 million mainly contributed by the increase in trade and other payables and borrowings amounting to RM739.8 million and RM31.8 million respectively.

B4. REVIEW OF CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended		Variance
	31 Dec 2023 RM '000	31 Dec 2022 RM '000	%
Net cash (used in)/generated from operating activities	(164,755)	135,851	>100%
Net cash (used in)/generated from investing activities	(66,332)	1,656	>100%
Net cash used in financing activities	(8,380)	(50,382)	83%
Net change in cash & cash equivalents	(239,467)	87,125	>100%

The Group recorded net cash used in operating activities of RM164.8 million against net cash generated from operating activities of RM135.9 million in the prior year mainly due to higher payments made to vendors against collections from clients during the current year.

The Group recorded net cash used in investing activities amounting to RM66.3 million compared to net cash generated from investing activities of RM1.7 million in the corresponding year mainly due to higher purchase of property, plant and equipment during the current year.

The Group recorded lower net cash used in financing activities amounting to RM8.4 million against RM50.4 million in the corresponding year mainly due to drawdown of revolving credit partially offset with repayment of revolving credit coupled with the dividend paid during the current year.

B5. CURRENT YEAR PROSPECTS

The oil market is anticipated to improve further in 2024, backed by forecast demand and high oil prices amidst limited supply from continued production cuts by OPEC+. The likelihood of improvement is high should there be no further deterioration in the global economic situation and ongoing geopolitical tensions. However, if the Red Sea crisis escalates to war, this could give rise to all commodity prices. Until that happens, high oil prices would be favourable for oil majors to boost upstream capital spending for the year. 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, the Heavy Engineering segment continues to face challenges in executing its ongoing projects within the original budgeted margins due to the impact of price escalations of raw materials and global supply chain disruptions. These projects, awarded on a lump sum EPCIC basis by clients a few years ago, face ongoing efforts to recover from the inflationary and schedule impacts. The Group will continue pursuing the recovery of these impacts from clients.

For the Marine segment, the Group expects competition among peers to remain stiff, given the presence of new LNGC-repair yards in China and other neighbouring countries. Despite that, the Group is continuing with the efforts in securing more dry-docking opportunities with major LNG players, as well as conversion projects, given the uptrending oil prices and stabilised oil and gas market.

The Group will continue to explore opportunities in both domestic and international markets. With the novel offshore windfarm project awarded recently, the Group will focus to pursue more renewable energy projects as well as those in the decarbonisation space. In consideration of the global supply chain issues, the Group has taken steps to improve its contracting strategies with clients where possible through alliance concept, reimbursable or cost-plus basis to mitigate those issues. Notwithstanding the major challenges in some projects, the Group remains committed to delivering all projects meeting clients' requirements.

B6. PROFIT FORECAST AND PROFIT GUARANTEE

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

B7. TAXATION

	31 Dec 2023 RM '000	31 Dec 2022 RM '000
Taxation for the year comprises the following:		
Income tax		
- current year	425	(20,904)
- prior year	718	-
	1,143	(20,904)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

B8. CHANGES IN MATERIAL LITIGATION**Malaysia Marine and Heavy Engineering Sdn Bhd (MMHE) and Kebabangan Petroleum Operating Company Sdn Bhd (KPOC)**

On 13 March 2019, MMHE received a notice of arbitration from KPOC in relation to claims arising from the Kebabangan ("KBB") field project. KPOC claimed that MMHE was in breach of contract in respect of matters relating to supply of certain valves. The valves procured by MMHE were claimed to be defective and that KPOC suffered substantial loss and damage.

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 31 December 2023 are as follows:

	Contract/ Notional Amount as at 31 Dec 2023 (in RM '000)	Fair Value loss (in RM '000)
Forward foreign currency contracts	735,876	(26,048)

During the year, the Group recognised a net unrealised derivatives gain of RM6,025,000 in its equity and derivatives loss of RM25,651,000 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		Year Ended	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Basic (loss)/profit per share is computed as follows:				
(Loss)/Profit for the period attributable to equity holders of the Company (RM '000)	6,184	27,139	(484,185)	67,773
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>0.4</u>	<u>1.7</u>	<u>(30.3)</u>	<u>4.2</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 year ended 31 December 2023.

B12. TRADE AND OTHER RECEIVABLES

	31 Dec 2023 RM '000	31 Dec 2022 RM '000
Trade receivables		
Third parties	101,275	164,722
Related companies	9,715	4,183
Amount due from customers on contracts	<u>1,179,994</u>	<u>592,622</u>
	1,290,984	761,527
Other receivables	35,822	21,382
Less: Allowance for impairment losses	<u>(35,784)</u>	<u>(34,932)</u>
	<u>1,291,022</u>	<u>747,977</u>
Trade and other receivables	<u>1,291,022</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:-

	31 Dec 2023 RM '000	31 Dec 2022 RM '000
Neither past due nor impaired	73,546	102,516
1 to 30 days past due not impaired	5,468	33,567
31 to 60 days past due not impaired	549	2,606
61 to 90 days past due not impaired	<u>533</u>	<u>-</u>
	80,096	138,689
Impaired	<u>30,894</u>	<u>30,216</u>
Trade receivables	<u>110,990</u>	<u>168,905</u>