



Company No : 256516-W

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2019**



Company No : 256516-W

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

Unaudited Condensed Consolidated Statements of Comprehensive Income
For The Second Quarter and Financial Year-To-Date Ended 30 June 2019

	Note	Quarter Ended			Year-To-Date Ended		
		30.06.2019 RM'000	30.06.2018 RM'000	Changes %	30.06.2019 RM'000	30.06.2018 RM'000	Changes %
Revenue	B1	66,320	69,128	(4)	132,772	132,949	(0)
Cost of sales		(45,438)	36,224	225	(95,495)	(10,212)	835
Gross profit		20,882	105,352	(80)	37,277	122,737	(70)
Administrative expenses		(5,418)	(4,758)	14	(9,913)	(9,249)	7
Other operating income :							
- Net loss on foreign exchange		(4,050)	(11,649)	(65)	(1,323)	(2,627)	(50)
- Other income	B3	2,412	292	726	2,575	641	302
Result from Operating activities		13,826	89,237	(85)	28,616	111,502	(74)
Finance income		73	121	(40)	145	159	(9)
Finance cost		(5,562)	(6,156)	(10)	(11,293)	(11,016)	3
Profit before tax		8,337	83,202	(90)	17,468	100,645	(83)
Taxation	B6	(30)	(47)	(36)	(30)	(283)	(89)
Profit for the period		8,307	83,155	(90)	17,438	100,362	(83)
Profit attributable to:							
Owner of the Company		8,307	83,155	(90)	17,438	100,362	(83)

	Note	Quarter Ended		Year-To-Date Ended	
		30.06.2019	30.06.2018	30.06.2019	30.06.2018
Earnings Per Share attributable to owners of the Company					
Basic EPS (sen)	B12	1.65	16.50	3.46	19.91

The above Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these interim financial statements.



Company No : 256516-W

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

Unaudited Condensed Consolidated Statement of Financial Position
as at 30 June 2019

	Note	As at 30.06.2019 RM'000	As at 31.12.2018 RM'000 (Audited)
Assets			
Property, plant and equipment	A9	768,979	794,646
Right-of-use asset		1,555	-
Trade and other receivables		1,313	1,314
Non-current assets		771,847	795,960
Inventories		243	287
Trade and other receivables		37,191	46,177
Tax recoverable		2,638	2,498
Short term deposits		713	702
Cash, bank balances and deposits		25,900	13,777
Current assets		66,685	63,441
Total assets		838,532	859,401
Equity and liabilities			
Share capital	A6	169,100	169,100
Retained Earnings		75,223	57,785
Total equity		244,323	226,885
Loans and borrowings	B8	218,224	261,830
Deferred tax liabilities		18,081	18,378
Non-current liabilities		236,305	280,208
Trade and other payables		213,443	213,715
Loans and borrowings	B8	144,391	138,586
Current tax liabilities		70	7
Current liabilities		357,904	352,308
Total liabilities		594,209	632,516
Total equity and liabilities		838,532	859,401
		RM	RM
Net assets per share attributable to owners of the Company		0.48	0.45

The above Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these interim financial statements.



Company No : 256516-W

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

Unaudited Condensed Consolidated Statement of Changes in Equity
For The Year-To-Date Ended 30 June 2019

	← Non-distributable →		Distributable	Total
	Number of shares '000	Share capital RM'000	retained earnings/ Non-distributable accumulated losses RM'000	
At 1 January 2019	504,000	169,100	57,785	226,885
Profit for the financial period, representing total comprehensive income for the financial period	-	-	17,438	17,438
At 30 June 2019	504,000	169,100	75,223	244,323
At 1 January 2018	504,000	169,100	(16,447)	152,653
Profit for the financial period, representing total comprehensive income for the financial period	-	-	100,362	100,362
At 30 June 2018	504,000	169,100	83,915	253,015

The above Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these interim financial statements.

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

Unaudited Condensed Consolidated Statement of Cash Flows
For The Year-To-Date Ended 30 June 2019

	Note	Year-To-Date Ended	
		30.06.2019	30.06.2018
		RM'000	RM'000
Cash flows from operating activities			
Profit before tax		17,468	100,645
Adjustments for:			
Depreciation of property, plant and equipment		39,648	36,934
Bad debt recovered		-	(12)
Finance costs		11,293	11,016
Finance income		(145)	(159)
Unrealised foreign exchange loss / (gain)		1,405	(10,723)
Operating profit before changes in working capital		69,669	137,701
Changes in working capital:			
Inventories		44	-
Trade and other receivables		7,187	(106,096)
Trade and other payables		3,486	12,506
Cash generated from operations		80,386	44,111
Interest received		145	159
Interest paid		(11,293)	(11,016)
Tax paid		(71)	(1,635)
Net cash generated from operating activities		69,167	31,619
Cash flows from investing activities			
Net redemption in short term deposits, fixed and security deposits pledged		(599)	(330)
Additions to property, plant and equipment		(15,533)	(10,494)
Net cash used in investing activities		(16,132)	(10,824)
Cash flows from financing activities			
Repayment of conventional term loan		(14,942)	(17,365)
Drawdown from conventional term loan		1,246	14,485
Repayment of Islamic term financing facilities		(36,965)	(19,940)
Drawdown from Islamic term financing facilities		10,580	-
Net repayment of finance lease		(55)	(100)
Net cash used in financing activities		(40,136)	(22,920)
Net increase / (decrease) in cash and cash equivalents		12,899	(2,125)
Cash and cash equivalents at beginning of financial period	(i)	729	7,749
Cash and cash equivalents at end of financial period	(i)	13,628	5,624



Company No : 256516-W

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

Unaudited Condensed Consolidated Statement of Cash Flows
For The Year-To-Date Ended 30 June 2019 (Continued)

(i) Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following amounts:

	30.06.2019	30.06.2018
	RM'000	RM'000
Cash and bank balances	18,874	11,367
Fixed and security deposits with licensed banks	7,739	7,555
	26,613	18,922
Less: Bank overdrafts	(5,246)	(5,743)
	21,367	13,179
Less: Fixed and security deposits pledged	(7,739)	(7,555)
	13,628	5,624

The above Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to these interim financial statements.

**E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)**

**PART A : NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND
FINANCIAL PERIOD ENDED 30 JUNE 2019**

A1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2018.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2018.

Standards, amendments to published standards and interpretations that are effective

The Group has applied the following amendments for the financial year beginning on 1 January 2019:

- MFRS 16 : Leases
- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures'
- IC Interpretation 23 : Uncertainty over Income Tax Treatments
- Amendments to MFRS 9 'Financial Instrument – Prepayment Features with Negative Compensation'
- Annual Improvements to MFRSs 2015 – 2017 Cycle: Amendments to MFRS 3 'Business Combination', MFRS 11 'Joint Arrangements', MFRS 112 'Income Taxes' and MFRS 123 'Borrowing Costs'
- Amendments to MFRS 119 'Employee Benefits – Plan Amendment, Curtailment or Settlement'

The adoption of these amendments has required additional disclosures. Other than that, the adoption of these amendments did not have any material impact on the financial statements for the current financial period.

MFRS 16 Leases

MFRS 16 affects primarily the accounting by lessees and will result in the recognition of almost all leases on the statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

PART A : NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

A1 BASIS OF PREPARATION (CONTINUED)

MFRS 16 Leases (Continued)

The statement of profit or loss also affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense is replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows is higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to present as operating cash flows.

The Group has assessed the financial impact on its financial statements upon initial application of MFRS 16. As allowed by the transitional provision of MFRS 16, the Group has elected the modified retrospective approach with no restatement of comparatives and the cumulative adjustments resulting from the initial application of MFRS 16 to be recognised in retained earnings and reserves as at 1 January 2019.

The impact from the initial application of MFRS 16 is immaterial to the Group.

Standards and interpretations issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards and interpretations, if applicable, when they become effective.

- Amendments to MFRS 3 'Business Combinations – Definition of a Business' 1 January 2020
- Amendments to MFRS 101 'Presentation of Financial Statements' 1 January 2020
- MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material' 1 January 2020
- MFRS 17 Insurance Contracts 1 January 2021

The Directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application.

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

PART A : NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

A2 AUDIT REPORT OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the annual financial statements for the financial year ended 31 December 2018 was unqualified.

A3 SEASONALITY OR CYCLICALITY OF OPERATIONS

The business operations have not been significantly affected by any seasonal or cyclical trend.

A4 UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There were no material unusual items affecting assets, liabilities, equity, net income or cash flow during the current quarter under review.

A5 CHANGE IN ACCOUNTING ESTIMATES

There were no changes in accounting estimates or errors that have a material effect in the current quarter under review.

A6 DEBT AND EQUITY SECURITIES

There were no cancellation, resale and prepayment of debt and equity securities during the current quarter other than loans repayments in accordance with the Group's loans repayment schedules.

A7 DIVIDENDS

There was no dividend paid during the quarter.

A8 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal management reporting as follows:

(i) Marine transport and Floating Storage Unit / Floating, Storage and Offloading Vessel (FSU/FSO)

Our product tankers are used to transport refined petroleum products from oil refineries to end-users.

FSU/FSOs are typically used as storage facility at offshore Oil & Gas.

Fast crew boats are primarily used to transport personnel between shore and platform, platform and platform or other offshore facilities.

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

PART A : NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

A8 SEGMENT REPORTING (CONTINUED)

(ii) Port Marine Services

The port marine services provided by the Company at the ports are towage services comprising of towing, pushing or manoeuvring vessels.

(iii) Engineering, Procurement, Construction, Installation and Commissioning (“EPCIC”)

Marine Engineering services include the provision of marine engineering solutions and EPCIC activities.

(iv) Others

Other operating segments include mooring services activities and shipbuilding & ship repair.

The Group assesses the performance of the operating segments based on revenue and earnings before interest, taxation, depreciation and amortisation (EBITDA).

Revenue

	Quarter Ended		Year-To-Date	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Marine transport and FSO	42,855	45,332	87,519	89,402
Port marine services	23,341	23,424	45,006	42,826
Others	124	372	247	721
	66,320	69,128	132,772	132,949

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

PART A : NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

A8 SEGMENT REPORTING (CONTINUED)

EBITDA	Quarter Ended		Year-To-Date	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Marine transport and FSO	21,442	13,897	47,028	41,600
Port marine services	10,295	7,457	19,343	19,169
EPCIC	1,916	87,516	1,916	87,516
Others	(12)	60	(23)	151
	<u>33,641</u>	<u>108,930</u>	<u>68,264</u>	<u>148,436</u>

A9 VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

The Group has not carried out any valuation on its property, plant and equipment in the current financial quarter.

A10 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

There were no material events subsequent to the end of current financial quarter and financial period-to-date that have not been reflected in this interim financial report.

A11 CHANGES IN THE COMPOSITION OF THE GROUP

There are no material changes in the composition of the Group during the current quarter.

A12 CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

Since the last Statement of Financial Position, there were no material changes in contingent liabilities and contingent assets.

A13 CAPITAL COMMITMENTS

Capital expenditures not provided for in the interim financial report as at 30 June 2019 are as follows:

	RM'000
Approved but not contracted	<u>7,539</u>
Analysed as follows:	
Shipyard under construction	<u>7,539</u>

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

PART B : ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

B1 REVIEW OF THE PERFORMANCE OF THE GROUP

Review of performance for the cumulative quarter 6 months ended 30 June 2019

	Year-To-Date Ended		
	30.06.2019	30.06.2018	Changes
	RM'000	RM'000	%
Revenue	132,772	132,949	(0)
Cost of sales			
- Operation	(97,411)	(97,728)	(0)
- EPCIC	1,916	87,516	98
	(95,495)	(10,212)	
Gross profit	37,277	122,737	(70)
Profit before tax	17,468	100,645	(83)
Profit for the financial period	17,438	100,362	(83)

The Group recorded no significant change in revenue of RM132.77 million for the six months period ended 30 June 2019 as compared to RM132.95 million in the previous corresponding period. The revenue is fairly consistent with the previous period as the reduction of revenue for Nautica Batu Pahat due to offhire was covered by the revenue from Nautica Renggam, Nautica Gambir and Nautica Langsat.

The Group posted a profit before tax of RM17.47 million for the six months period ended 30 June 2019, as compared to RM100.65 million in the previous corresponding period, a decrease of 83%. The decrease was due to lower reversal of EPCIC project costs as compared to the previous corresponding period.

The Group had also recorded a net loss on foreign exchange of RM1.32 million for the six months period ended 30 June 2019 as compared to a net loss of RM2.63 million in the previous corresponding period.

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

PART B : ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

B1 REVIEW OF THE PERFORMANCE OF THE GROUP (CONTINUED)

Review of performance for the current quarter 3 months ended 30 June 2019

	Quarter Ended		Changes
	30.06.2019	30.06.2018	
	RM'000	RM'000	
Revenue	66,320	69,128	(4)
Cost of sales			
- Operation	(47,354)	(51,292)	(8)
- EPCIC	1,916	87,516	98
	(45,438)	36,224	225
Gross profit	20,882	105,352	(80)
Profit before tax	8,337	83,202	(90)
Profit for the financial period	8,307	83,155	(90)

The Group recorded a revenue of RM66.32 million for the three months period ended 30 June 2019 as compared to RM69.13 million in the previous corresponding period, a decrease of 4%. The slight decrease was due to lower offtake from PFLNG tugboat operation as the client shift its operation to Sabah in March 2019.

The Group posted a profit before tax of RM8.34 million for the three months period ended 30 June 2019, as compared to RM83.2 million in the previous corresponding period, a decrease of 90% due to reversal of EPCIC project costs.

The Group had also recorded a net loss on foreign exchange of RM4.05 million for the three months period ended 30 June 2019 as compared to a net loss of RM11.65 million in the previous corresponding period.

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

PART B : ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS

Review of performance for the current quarter compared to immediate preceding quarter

	Quarter Ended		
	30.06.2019	31.03.2019	Changes
	RM'000	RM'000	%
Revenue	66,320	66,452	(0)
Cost of sales			
- Operation	(47,354)	(50,057)	(5)
- EPCIC	1,916	-	100
	(45,438)	(50,057)	(9)
Gross profit	20,882	16,395	27
Profit before tax	8,337	9,131	(9)
Profit for the financial period	8,307	9,131	(9)

The Group recorded a revenue of RM66.32 million for the three months period ended 30 June 2019 as compared to RM66.45 million in the immediate preceding quarter. The revenue is fairly consistent with the previous period as the reduction of revenue for Nautica Batu Pahat due to offhire was covered by the revenue from Nautica Renggam, Nautica Gambir and Nautica Langsat.

The Group posted a profit before tax of RM8.34 million for the three months period ended 30 June 2019, as compared to RM9.13 million in the immediate preceding quarter, a decrease of 9%. The slight decrease was due to forex losses compared to gain in the previous period.

B3. OTHER INCOME

	Quarter Ended			Year-To-Date Ended		
	30.06.2019	30.06.2018	Changes	30.06.2019	30.06.2018	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Insurance claim	2,280	292	681	2,280	641	256
Other income	132	-	100	295	-	100
Total other income	2,412	292	726	2,575	641	302



Company No : 256516-W

E.A. TECHNIQUE (M) BERHAD (256516-W)
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PART B : ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

B4. COMMENTARY OF PROSPECTS

As at 30 June 2019, the Group's orderbook was approximately RM802.9 million with additional RM545.37 million for extension period.

The Group remains fairly optimistic on its operating performance from the respective business segment Marine Transport and FSO in view of higher utilisation of FSU Nautica Muar, Nautica Renggam, Nautica Pagoh, Nautica Gambir and Nautica Langsat in 2019.

The Company has recently been awarded a contract by PETCO Trading Labuan Company Limited ("PTLCL") for Provision of Long-term Charter Coastal Vessel Services. The duration of the contract is for a primary period of five years with five extension options of one year each at PTLCL's option. The contract value is approximately RM239.12 million, excluding the option period. This contract is expected to commence by end of year 2020 with the delivery of the first vessel. Hence, it is expected to contribute positively to the earnings and net tangible assets of the company for the financial year ending 31 December 2021 and beyond.

The Company has also received a Letter of Award dated 31 May 2019 from PETRONAS Carigali Sdn Bhd ("PCSB") for the Provision of Temporary Storage Tanker (TST) including Station Keeping and Flexible Riser Tie-In for Sepat Derisk and Early Production System (DEPS) Project ("Contract"). The Contract duration will be for a primary period of twelve (12) months with extension options of six (6) months from expiry date and a further six (6) months upon PCSB's discretion at an agreed fixed schedule of rates and shall commence in November 2019. The contract value is approximately RM84.18 million for the primary period including mobilisation and demobilisation fees and is expected to contribute positively to the earnings and net tangible assets of the Company.

B5. PROFIT FORECAST / GUARANTEE

The Group is not subject to any variance of actual profit from forecast profit/profit guarantee for the current financial period under review.

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

PART B : ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

B6. TAXATION

	Quarter Ended			Year-To-Date Ended		
	30.06.2019	30.06.2018	Changes	30.06.2019	30.06.2018	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Income Tax :						
Current taxation	(30)	(47)	(36)	(30)	(283)	(89)
Total taxation	(30)	(47)	36	(30)	(283)	89

The Company has unabsorbed tax losses of RM48.89 million and unutilised capital allowances of RM82.87 from tugboats, Non-Malaysian ships and EPCIC segment. The unabsorbed tax losses will expire in year 2025 under the current tax legislation. The unutilised capital allowances do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits therefrom.

B7. STATUS OF CORPORATE PROPOSALS

The Company has submitted an application to Bursa Securities on the following proposal and the announcement has been made on 2 July 2019: -

- i) proposed settlement of debt owing to the major shareholder, Sindora Berhad ("Sindora"), via the issuance of 121,622,400 new ordinary shares in E.A. Technique ("Shares") ("Settlement Shares") ("Proposed Debt Capitalisation");
- ii) proposed private placement of up to 106,355,800 new Shares ("Placement Shares"), representing approximately 17.0% of the Company's enlarged total number of issued Shares (excluding treasury shares, if any) ("Proposed Private Placement") that had assumed the completion of the Proposed Debt Capitalisation; and
- iii) proposed issue of up to 365,989,100 free warrants in E.A. Technique ("Warrants") on the basis of one Warrant for every two existing Shares (excluding treasury shares, if any) held on the entitlement date to be determined later ("Proposed Free Warrants Issue").

The Company has obtained the approval for the above proposal on 20 August 2019.

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

PART B : ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

B8. LOANS AND BORROWINGS

Details of the Group's borrowings are as follows:

	As at 30.06.2019					
	Long Term		Short Term		Total Borrowings	
	Foreign RM'000	Ringgit RM'000	Foreign RM'000	Ringgit RM'000	Foreign RM'000	Ringgit RM'000
Secured						
Islamic financing						
Term Loans	52,851	22,665	52,684	25,030	105,535	47,695
Revolving Credits	-	-	4,715	-	4,715	-
Bank Overdraft	-	-	-	5,246	-	5,246
Conventional financing						
Term Loans	-	91,463	-	35,085	-	126,548
Revolving Credits	-	-	-	8,425	-	8,425
Finance lease liabilities	-	1,708	-	53	-	1,761
Loan from Shareholder	-	49,537	-	13,153	-	62,690
	52,851	165,373	57,399	86,992	110,250	252,365

Note :

Foreign denomination refers to borrowing in USD currency with a foreign exchange of USD/RM:4.1304.

	As at 31.12.2018					
	Long Term		Short Term		Total Borrowings	
	Foreign RM'000	Ringgit RM'000	Foreign RM'000	Ringgit RM'000	Foreign RM'000	Ringgit RM'000
Secured						
Islamic financing						
Term Loans	73,487	25,950	52,684	25,625	126,171	51,575
Revolving Credits	-	-	5,872	-	5,872	-
Bank Overdraft	-	-	-	5,908	-	5,908
Conventional financing						
Term Loans	-	108,588	-	32,874	-	141,462
Revolving Credits	-	-	-	8,457	-	8,457
Finance lease liabilities	-	100	-	109	-	209
Loan from Shareholder	-	53,705	-	7,057	-	60,762
	73,487	188,343	58,556	80,030	132,043	268,373

Note :

Foreign denomination refers to borrowing in USD currency with a foreign exchange of USD/RM:4.151.

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

PART B : ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

B9. FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK

The Group does not have any derivative financial instruments as at the period ended 30 June 2019.

B10. MATERIAL LITIGATIONS

a) NOTICE OF ARBITRATION WITH MALAYSIA MARINE AND HEAVY ENGINEERING SDN BHD

The Group via its solicitor has filed a Notice of Arbitration dated 27 September 2018 with the Director of Asian International Arbitration Centre ("AIAC") against Malaysia Marine and Heavy Engineering Sdn Bhd. ("MMHE").

The Company commenced arbitration against MMHE in relation to a dispute arising out of a contract in relation to the provision of demolition, refurbishment and conversion of a donor vessel into a floating storage and offloading facility dated 9 June 2015 (the "Conversion Contract") entered into between the Company and MMHE.

Prior to the Conversion Contract, the Company entered into an engineering, procurement, construction installation and commissioning contract (the "EPCIC Contract") with HESS Exploration & Production Malaysia B.V. ("HESS") on 22 December 2014 for the engineering, procurement, construction, installation and commissioning of a floating storage and offloading facility (the "FSO Facility") to be deployed in the full field project in the North Malay Basin, located approximately 150 km North East off the shore of Kota Bharu in the state of Kelantan.

Pursuant to the Conversion Contract, MMHE as the Contractor agreed to undertake the demolition, refurbishment and conversion of the Vessel into the FSO Facility, which forms a portion of the scope of works under the EPCIC Contract. Disputes arose relating to change orders (variations) under the Conversion Contract.

On 22 June 2018, the Company and MMHE executed a letter of undertaking ("LOU") to settle the disputes amicably but failed to reach settlement. Based on Clause 10 of the LOU, in the event that both parties are unable to reach a full and final settlement on the amount of additional work order, both parties agreed to resolve the dispute by way of Arbitration under Clause 37 of the Main Contract.

The Company's claims against MMHE include:

- (a) The recovery of overpayment of US\$ 8,733,753.97 in respect of contract price for the Conversion Contract;
- (b) The claim for an amount of US\$ 4,009,643.75 being the back-charges under the Conversion Contract; and
- (c) The recovery of US\$ 9,000,000 paid to MMHE pursuant to the LOU due to unsubstantiated change orders.

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

PART B : ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

B10. MATERIAL LITIGATIONS (CONTINUED)

b) FIRST CLAIM UNDER CONSTRUCTION INDUSTRY PAYMENT AND ADJUDICATION ACT 2012 BY MALAYSIA MARINE AND HEAVY ENGINEERING SDN BHD

Further to and in connection with the LOU and the Arbitration proceeding, the Company had on 8 October 2018 received a Payment Claim pursuant to Section 5 of the Construction Industry Payment and Adjudication Act 2012 dated 5 October 2018 from Malaysia Marine Heavy Engineering Sdn Bhd ("MMHE") via its solicitor, Messrs Mohanadass Partnership for a total amount of US\$30,221,301.42 ("CIPAA Payment Claim").

The CIPAA Payment Claim is in relation to the disputes over the alleged non-payment of works done by MMHE and invoices purportedly issued by MMHE in relation to the additional work order under the Conversion Contract.

The payments of the additional work order appear to be the common subject matter and issue under the CIPAA Payment Claim, LOU and the Arbitration.

On 27 May 2019, the Adjudicator delivered its Adjudication Decision. In the Adjudication Decision, the Adjudicator ordered the following: -

- a) the Company shall pay the sum of US\$21,607,206.38 including 6% of GST to MMHE ("Adjudication Sum");
- b) the Adjudication Sum shall be paid by the Company on or before 28 June 2019;
- c) the Company shall pay interest at the rate of 1.5% per month on the Adjudication Sum from the date of Payment Claim (5 October 2018) until the full and final settlement of the Adjudicated Sum;
- d) the Company shall bear the costs of adjudication which includes the following:-
 - i. RM89,615.00 and RM500 being the cost and expense of the Adjudicator;
 - ii. RM18,998.38 being the AIAC fees; and
 - iii. RM200,000.00 being the cost to be paid to the MMHE.

The adjudication decision is not expected to have any potential business or operational impact on the company. At this juncture, the Adjudication Sum to be paid by the Company to MMHE has sufficiently been provided for in the Company's account. The Company is in a midst of reviewing the Adjudication Decision to determine whether there are clear and unequivocal errors in the Adjudication Decision.

**E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)**

**PART B : ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS
FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)**

B10. MATERIAL LITIGATIONS (CONTINUED)

**b) FIRST CLAIM UNDER CONSTRUCTION INDUSTRY PAYMENT AND ADJUDICATION ACT
2012 BY MALAYSIA MARINE AND HEAVY ENGINEERING SDN BHD (CONTINUED)**

On 4 June 2019, the Company filed an application to set aside the Adjudication Decision pursuant to the Construction Industry Payment and Adjudication Act, 2012 encompassing the following :-

- a) Originating Summons in respect of EAT's application to set aside the Adjudication Decision;
- b) Affidavit in Support of EAT's application to set aside the Adjudication Decision; and
- c) Certificate of Urgency requesting for the hearing of EAT's application to be heard before 28 June 2019 which is the due date for payment of the Adjudication Sum.

However, the hearing of the Company's application to set aside the Adjudication Decision has been fixed on 6.8.2019 and the hearing on the enforcement of the Adjudication Decision will be held tentatively in August 2019.

On 05.07.2019, the Company received a sealed Originating Summons dated 02.07.2019 from Malaysia Marine Heavy Engineering Sdn Bhd ("MMHE") to enforce the Adjudication Decision dated 27.05.2019.

On 16 July 2019, the Company filed an application to stay the Adjudication Decision pursuant to the Construction Industry Payment and Adjudication Act 2012, encompassing the following:

- i) the Notice of Application in respect of the Company's application to stay the Adjudication Decision; and
- ii) the Affidavit in Support of the Company's application to stay the Adjudication Decision.

In respect of the Adjudication Decision dated 27 May 2019, the hearing of:

- i. the Company's applications to set aside and to stay the Adjudication Decision; and
- ii. Malaysia Marine and Heavy Engineering Sdn Bhd's application to enforce the Adjudication Decision, have been fixed on 30 August 2019.

On 30 August 2019, the hearing has been further adjourned to 11 October 2019.

In addition, the principal amount has been provided for in the accounts, whereas the interest portion shall be included in the accounts once the company receives judgement of the above application.

Thus, the Adjudication Decision is expected to have a financial impact of approximately RM11.87 million (the interest portion) to the Company by reducing its future profit and cashflow position.

Further announcement will be made in respect of any material development thereof.



Company No : 256516-W

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

**PART B : ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS
FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)**

B10. MATERIAL LITIGATIONS (CONTINUED)

**c) SECOND CLAIM UNDER CONSTRUCTION INDUSTRY PAYMENT AND ADJUDICATION ACT
2012 BY MALAYSIA MARINE AND HEAVY ENGINEERING SDN BHD**

On 29 May 2019, the Company received a Payment Claim pursuant to section 5 of the Construction Industry Payment and Adjudication Act 2012 from Malaysia Marine Heavy Engineering Sdn Bhd ("MMHE") via its solicitors, Messrs. Mohanadass Partnership for a total amount of US\$6,096,791.91 ("Second CIPAA Payment Claim").

The Second CIPAA Payment Claim is in relation to disputes over the alleged non-payment of additional works done by MMHE and the invoices purportedly issued by MMHE under the the Conversion Contract which issued after the adjudication decision on 27 May 2019.

The Second CIPAA Payment Claim is not expected to have any potential business or operational impact on the Company. At this juncture, the Company has not made any provision in the accounts as the Company is seeking advice and consultation from its solicitor to contest the matter. However, the Second CIPAA Payment Claim is expected to have a financial impact of approximately RM25.48 million to the Company by reducing its future profit and cashflow position.

B11. DIVIDEND PAYABLE

There was no dividend payment proposed during the quarter.



Company No : 256516-W

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

**PART B : ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS
FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)**

B12. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the Group's net profit attributable to ordinary equity holders by the average number of ordinary shares in issue during the financial period.

	Year-To-Date	
	30.06.2019	30.06.2018
Profit for the financial period attributable to equity holders of the Company (RM'000)	17,438	100,362
Weighted average number of ordinary shares in issue ('000)	504,000	504,000
Basic earnings per share (sen)	3.46	19.91

By Order of the Board

E.A. TECHNIQUE (M) BERHAD

NURALIZA BINTI A. RAHMAN, MAICSA 7067934

SABARUDIN BIN HARUN, MIA 30423

(Secretaries)