

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 31 December 2015
The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2015

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31 DEC 2015 RM '000	PRECEDING YEAR CORRESPONDING QUARTER 31 DEC 2014 RM '000	CURRENT YEAR TO DATE 31 DEC 2015 RM '000	PRECEDING YEAR TO DATE 31 DEC 2014 RM '000
Revenue	721,140	508,343	2,459,033	2,700,505
Other operating (loss) / income	<u>(11,773)</u>	<u>40,254</u>	<u>88,698</u>	<u>66,776</u>
Operating profit	50,414	41,737	123,662	122,624
Provision for impairment on goodwill and assets	(99,800)	0	(99,800)	0
Share of loss of joint ventures	(445)	(2,474)	(1,361)	(3,511)
(Loss) / profit before taxation	<u>(49,831)</u>	<u>39,263</u>	<u>22,501</u>	<u>119,113</u>
Taxation	<u>23,512</u>	<u>(22,318)</u>	<u>21,944</u>	<u>11,508</u>
(Loss) / profit after taxation	<u>(26,319)</u>	<u>16,945</u>	<u>44,445</u>	<u>130,621</u>
Other comprehensive income:				
Fair value gain / (loss) on cash flow hedges	<u>4,975</u>	<u>(618)</u>	<u>2,763</u>	<u>(877)</u>
Total comprehensive income for the period	<u><u>(21,344)</u></u>	<u><u>16,327</u></u>	<u><u>47,208</u></u>	<u><u>129,744</u></u>
Profit attributable to:				
Equity holders of the Company	(27,132)	16,482	43,886	129,930
Non-controlling interests	<u>813</u>	<u>463</u>	<u>559</u>	<u>691</u>
	<u>(26,319)</u>	<u>16,945</u>	<u>44,445</u>	<u>130,621</u>
Total comprehensive income attributable to:				
Equity holders of the Company	(22,157)	15,864	46,649	129,053
Non-controlling interests	<u>813</u>	<u>463</u>	<u>559</u>	<u>691</u>
	<u>(21,344)</u>	<u>16,327</u>	<u>47,208</u>	<u>129,744</u>
Earnings per share attributable to equity holders of the Company:				
(i) Basic (sen)	(1.7)	1.0	2.7	8.1
(ii) Dilutive (sen)	(1.7)	1.0	2.7	8.1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	AS AT END OF CURRENT QUARTER 31 DEC 2015 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31 DEC 2014 RM '000
Non-Current Assets		
<i>Property, Plant and Equipment</i>	1,642,154	1,607,347
<i>Prepaid Land Lease Payments</i>	230,541	237,635
<i>Investment in Joint Ventures</i>	15,724	17,085
<i>Goodwill</i>	-	62,783
<i>Deferred Tax Assets</i>	79,915	80,602
	<u>1,968,334</u>	<u>2,005,452</u>
Current Assets		
<i>Inventories</i>	12,102	11,722
<i>Trade & Other Receivables</i>	1,557,516	1,850,780
<i>Assets held for sale</i>	-	6,282
<i>Derivatives</i>	-	364
<i>Tax recoverable</i>	4,147	-
<i>Cash and Cash Equivalents</i>	850,329	589,228
	<u>2,424,094</u>	<u>2,458,376</u>
Current Liabilities		
<i>Trade & Other Payables</i>	1,691,073	1,490,640
<i>Derivatives</i>	525	118
<i>Provisions</i>	17,499	53,813
<i>Borrowings</i>	-	265,000
<i>Provision for Taxation</i>	-	18,134
	<u>1,709,097</u>	<u>1,827,705</u>
Net Current Assets	<u>714,997</u>	<u>630,671</u>
	<u>2,683,331</u>	<u>2,636,123</u>
Equity attributable to equity holders of the Company		
<i>Share Capital</i>	800,000	800,000
<i>Share Premium</i>	818,263	818,263
<i>Cash Flow Hedge Reserve</i>	3,264	501
<i>Retained Earnings</i>	1,058,026	1,014,140
	<u>2,679,553</u>	<u>2,632,904</u>
Non-controlling interests	3,778	3,219
Total equity	<u>2,683,331</u>	<u>2,636,123</u>
	<u>2,683,331</u>	<u>2,636,123</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2015

	CURRENT YEAR TO DATE 31 DEC 2015 RM '000	CUMULATIVE PRECEDING YEAR TO DATE 31 DEC 2014 RM '000
Profit before taxation	22,501	119,113
Adjustments for:		
Property, plant and equipment		
- depreciation	80,091	69,720
- write off	331	2,038
- impairment loss	37,047	4,967
Amortisation of land use rights	7,094	7,095
(Reversal) / provision for warranty	(1,329)	17,175
Provision for liquidated ascertained damages	-	34,985
Net impairment loss on trade receivables	2,120	5,322
Impairment loss on goodwill	62,783	-
Interest income	(14,472)	(16,605)
Change in fair value of hedging derivatives	3,534	221
Net unrealised foreign exchange gain	(56,960)	(22,990)
Finance cost	4,509	13,093
Inventories written off	1,924	1,435
Share of loss of joint ventures	1,361	3,511
Operating profit before working capital changes	150,534	239,080
Inventories	(2,305)	(575)
Trade and other receivables	354,785	637,671
Trade and other payables	166,105	(627,403)
Cash generated from operations	669,119	248,773
Tax paid	(10,710)	(9,170)
Refund from tax	10,005	5,999
Net Cash Flow generated from Operating Activities	668,414	245,602
Purchase of property, plant and equipment	(152,276)	(178,070)
Interest received	14,472	16,605
Net Cash Flow used in Investing Activities	(137,804)	(161,465)
Interest paid	(4,509)	(13,093)
Dividends paid on ordinary shares	-	(80,000)
Drawdown on revolving credit facilities	91,000	764,000
Repayment on revolving credit facilities	(356,000)	(789,000)
Net Cash Flow used in Financing Activities	(269,509)	(118,093)
Net Change in Cash & Cash Equivalents	261,101	(33,956)
Cash & Cash Equivalents at the beginning of the year	589,228	623,184
Cash & Cash Equivalents at the end of the period	850,329	589,228

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2015

	<----Equity attributable to equity holders of the Company---->						
	Share Capital RM '000	Share Premium RM '000	Distributable Retained Earnings RM '000	Cash flow Hedge Reserve RM '000	Total RM '000	Non-controlling Interests RM '000	Total Equity RM '000
12 MONTHS ENDED 31 DECEMBER 2015							
At 1 January 2015	800,000	818,263	1,014,140	501	2,632,904	3,219	2,636,123
Total comprehensive income	-	-	43,886	2,763	46,649	559	47,208
At 31 December 2015	800,000	818,263	1,058,026	3,264	2,679,553	3,778	2,683,331
12 MONTHS ENDED 31 DECEMBER 2014							
At 1 January 2014	800,000	818,263	964,210	1,378	2,583,851	2,528	2,586,379
Total comprehensive income	-	-	129,930	(877)	129,053	691	129,744
Transaction with equity holders of the Company							
Dividend on ordinary shares	-	-	(80,000)	-	(80,000)	-	(80,000)
At 31 December 2014	800,000	818,263	1,014,140	501	2,632,904	3,219	2,636,123

NOTES TO THE CONDENSED FINANCIAL REPORT

The figures have not been audited.

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 Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on 2 February 2016.

A2. BASIS OF PREPARATION

The condensed consolidated interim financial statements (Condensed Report) have been prepared under the historical cost convention.

These condensed consolidated interim financial statements, for the period ended 31 December 2015 have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirement of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

The condensed report should be read in conjunction with the audited financial statements for financial year ended 31 December 2014. The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2014.

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 31 December 2015 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2014.

The Group intend to adopt the following standards, if applicable, when they become effective:

MFRS and amendments effective for annual period beginning on or after 1 January 2016:

Amendments to MFRS 5 Non-current Assets Held for Sale and Discontinued Operations
(Annual Improvements to MFRSs 2012 - 2014 Cycle)
Amendments to MFRS 7 Financial Instruments: Disclosures
(Annual Improvements to MFRSs 2012 - 2014 Cycle)
Amendments to MFRS 10 Consolidated Financial Statements - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 10 Consolidated Financial Statements - Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 12 Disclosures of Interest in Other Entities - Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 101 Presentation of Financial Statements - Disclosure Initiative
Amendments to MFRS 116 Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 Property, Plant and Equipment - Bearer Plants
Amendments to MFRS 119 Employee Benefits
(Annual Improvements to MFRSs 2012 - 2014 Cycle)
Amendments to MFRS 127 Consolidated and Separate Financial Statements - Equity Method in Separate Financial Statements
Amendments to MFRS 128 Investment in Associates - Sales or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 128 Investments in Associates - Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 134 Interim Financial Reporting
(Annual Improvements to MFRSs 2012 - 2014 Cycle)
Amendments to MFRS 138 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 141 Agriculture - Bearer Plants
MFRS 14 Regulatory Deferral Accounts

MFRS and amendments effective for annual period beginning on or after 1 January 2017:

MFRS 15 Revenue from Contracts with Customers

MFRS and amendments effective for annual period beginning on or after 1 January 2018:

MFRS 9 Financial Instruments

A4. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2014 was not qualified.

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

The Group impaired its goodwill and asset amounting to RM99.8 million during the quarter and year ended 31 December 2015 based on its impairment analysis to reflect the fair value of the business in line with the current weak and uncertain environment of the oil and gas industry.

A7. CHANGES IN ESTIMATES

There were no material changes in estimates reported in the current period or prior financial period.

A8. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuance or repayment of debt and equity securities, share buy-backs, share cancellation or shares held as treasury shares and resale of treasury shares during the quarter ended 31 December 2015.

A9. DIVIDEND PAID

There were no dividend payment in the current financial period to date

A10. SEGMENT REPORT

Segmental analysis for the current financial period to date is as follows:

	Offshore	Marine	Others	Eliminations	Total
REVENUE AND RESULT	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue					
Total Revenue - External	1,994,742	464,291	-	-	2,459,033
Inter-Segment	-	2,402	171	(2,573) *	-
	<u>1,994,742</u>	<u>466,693</u>	<u>171</u>	<u>(2,573)</u>	<u>2,459,033</u>
Result					
Operating profit	<u>9,209</u>	<u>81,583</u>	<u>55,547</u> **	<u>(22,677)</u> *	123,662
Provision for impairment on goodwill and assets					(99,800)
Share of results of joint ventures					(1,361)
Profit before taxation					<u>22,501</u>

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

** Comprise of net foreign exchange gains and interest income.

There has been no material change in total assets and no differences in the basis of segmentation or in the basis of measurement of segment profit or loss as compared to the last annual financial statements.

A11. 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 2014.

A12. GOODWILL

	31 Dec 2015	31 Dec 2014
	RM'000	RM'000
Cost	<u>-</u>	<u>62,783</u>

Goodwill is tested for impairment on annual basis (31 December) or when circumstances indicate that the carrying value may be impaired. The Group's impairment test is a comparison of the goodwill's carrying value against its value-in-use (calculated using forecast on Earnings before Interest, Taxation, Depreciation and Amortisation ("EBITDA") based on approved financial budget covering a five-year period).

The Group impaired its entire goodwill value totaling to RM62.8 million during the quarter based on its impairment analysis to reflect the fair value of the business; in line with the current weak and uncertain environment of the oil and gas industry.

A13. SUBSEQUENT MATERIAL EVENT

There was no material event subsequent to the current financial quarter to date.

A14. CHANGES IN THE COMPOSITION OF THE GROUP

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

A15. CONTINGENT LIABILITIES

Contingent liabilities of the Group comprise the following :-

	31 Dec 2015	31 Dec 2014
	RM '000	RM '000
Unsecured		
Bank guarantees extended to: -		
- Related companies	93,247	147,886
- Third parties	<u>186,219</u>	<u>146,573</u>
	<u>279,466</u>	<u>294,459</u>

A16. CAPITAL COMMITMENTS

	31 Dec 2015	31 Dec 2014
	RM '000	RM '000
Approved and contracted for	189,204	310,230
Approved but not contracted for	<u>44,153</u>	<u>28,098</u>
	<u>233,357</u>	<u>338,328</u>

The outstanding capital commitments relate to the infrastructure upgrading works under the Yard Optimisation Programme and other investment projects.

A17. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining the fair value of all financial instruments carried at fair value:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Input that are based on observable market data, either directly or indirectly
- Level 3 - Input that are not based on observable market data

The derivatives of the Group amounting to RM525,000 in credit (31.12.2014: RM246,000 in debit) are measured at Level 2 hierarchy.

B1. REVIEW OF PERFORMANCE

	Individual Quarter Ended		Cumulative Period Ended	
	31 Dec 2015 RM '000	31 Dec 2014 RM '000	31 Dec 2015 RM '000	31 Dec 2014 RM '000
Revenue				
Offshore	615,128	422,619	1,994,742	2,447,656
Marine	106,012	117,151	466,693	320,798
Others	61	40	171	120
Eliminations/Adjustments	(61)	(31,467)	(2,573)	(68,069) ^{*^}
	<u>721,140</u>	<u>508,343</u>	<u>2,459,033</u>	<u>2,700,505</u>
Operating Profit				
Offshore	25,606	10,743	9,209	64,686
Marine	22,478	13,024	81,583	32,809
Others	7,400	24,900	55,547	49,682
Eliminations/Adjustments	(5,070)	(6,930)	(22,677)	(24,553) ^{*#}
	<u>50,414</u>	<u>41,737</u>	<u>123,662</u>	<u>122,624</u>

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

[^] Inter-segment revenue elimination

Marine	-	31,427	2,402	67,949
Others	61	40	171	120

[#] Inter-segment operating profit elimination

Offshore	4,001	5,637	18,217	20,374
Marine	1,069	1,293	4,460	4,179

Performance of current quarter against the corresponding quarter

The Group's operating profit is higher at RM50.4 million against RM41.7 million profit in the corresponding quarter and segmentally analysed as follows:

Offshore

Offshore registered higher revenue and operating profit during the quarter mainly due to currency gain arising from strengthening of USD against RM for Malikai TLP and SK316 projects.

Marine

Marine's revenue and operating profit are higher against corresponding quarter mainly due to higher value for vessels repaired from LNG, Rigs, FPSO and FSU categories.

Group

The Group registered a loss before tax of RM49.8 million against profit before tax of RM39.3 million in the corresponding quarter after recognising impairment loss of RM99.8 million for both goodwill (RM62.8 million) and assets (RM37.0 million).

Performance of current year against the corresponding year

The Group's operating profit is slightly higher at RM123.7 million against RM122.6 million in the corresponding period and segmentally analysed as follows:

Offshore

Offshore registered lower revenue during the year mainly due to completion of most projects while new projects are still at early stage of their project life cycles.

Offshore recorded smaller operating profit of RM9.2 million compared to RM64.7 million in the corresponding year, mainly due to additional costs to complete for Malikai TLP. Compensations and claims are being actively pursued to improve the financial position of the said project.

Marine

Marine's revenue and operating profit are higher against corresponding period mainly due to higher value for vessels repaired from LNG, Rigs, FSU and FPSO categories.

Group

The Group registered a lower profit before tax of RM22.5 million against RM119.1 million in the corresponding year, mainly due to lower contribution from Offshore segment as well as the impact from recognition of impairment on both goodwill (RM62.8 million) and assets (RM37.0 million).

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group's registered a loss before taxation of RM49.8 million against the preceding quarter's profit before taxation of RM19.8 million. The variance was mainly due to recognition of impairment on both goodwill (RM62.8 million) and assets (RM37.0 million) in current quarter.

B3. CURRENT YEAR PROSPECTS

The tough operating environment in the upstream segment is projected to continue well into 2017 as national and international oil companies continue to reduce their spending on capital and operating expenditure and this will continue to impact offshore business.

The marine business is projected to remain vibrant as the firm tanker charter rates in the marine segment will somewhat mitigate the slowdown of the offshore unit.

The Group's efforts to diversify has borne results with the recent awards of work in the RAPID projects. MHB remains committed in executing the strategic plan and initiatives laid out earlier to weather this challenging period.

B4. VARIANCE OF ACTUAL RESULTS COMPARED WITH FORECASTED AND SHORTFALL IN PROFIT GUARANTEE

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

B5. TAXATION

	31 Dec 2015 RM '000	31 Dec 2014 RM '000
Taxation for the period comprises the following charge:		
Income tax (credit) / charge		
- current period	(22,310)	7,644
- prior year	(321)	242
Deferred taxation	<u>687</u>	<u>(19,394)</u>
	<u>(21,944)</u>	<u>(11,508)</u>

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

B6. GROUP BORROWINGS

The tenure of Group borrowings as at 31 December 2015 classified as short term as well as unsecured categories are as follows: -

	31 Dec 2015 RM '000	31 Dec 2014 RM '000
Short Term Borrowings		
Unsecured	<u>-</u>	<u>265,000</u>

B7. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments for the quarter ended 31 December 2015.

B8. CHANGES IN MATERIAL LITIGATION

There were no material litigation involving the Group as at 31 December 2015.

B9. DIVIDEND PROPOSED

No dividend has been proposed for the quarter ended 31 December 2015.

B10. DERIVATIVES

The Group entered into forward foreign currency contracts to manage the exposure to foreign exchange risk when it enters into transactions that are not denominated in their functional currencies.

Details of the Group's derivative financial instruments outstanding as at 31 December 2015 are as follows:

	Contract/ Notional Amount as at 31 Dec 2015 (in RM '000)	Fair Value gain/(loss) (in RM '000)
Forward foreign currency contracts	634	931

During the period, the Group has recognised a net gain of RM2,763,000 in its statement of comprehensive income mainly due to settlement of the forward foreign currency contracts in the current year.

B11. EARNINGS PER SHARE

In respect of earnings per share :-

- i) The amount used as numerator for the calculation of basic earnings per share is RM52.1 million in debit for the fourth quarter ended 31 December 2015 which is the same as the profit attributable to the equity holders of the Company as shown in the condensed consolidated statement of comprehensive income.
- ii) The weighted average number of ordinary shares used as the denominator in calculating the basic earnings per share and dilutive earnings per share for the fourth quarter ended 31 December 2015 is 1,600.0 million.

The Group does not have any financial instrument or other contract that may entitle its holder to ordinary shares and therefore, dilutive to its basic earnings per share.

B12. REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group as at 31 December 2015 and 31 December 2014 into realised and unrealised profits is presented in accordance with the directives issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and 20 December 2010, prepared in accordance with *Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits and Losses* in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by Malaysian Institute of Accountants.

	31 Dec 2015 RM '000	31 Dec 2014 RM '000
Total retained profits of the Company and its subsidiaries:		
- Realised	810,675	860,195
- Unrealised	64,483	17,018
	<u>875,158</u>	<u>877,213</u>
Total share of retained profits from joint ventures:		
- Realised	2,409	2,534
- Unrealised	(255)	179
	<u>877,312</u>	<u>879,926</u>
Add: Consolidation adjustments	180,714	134,214
Total Group retained profits as per consolidated accounts	<u><u>1,058,026</u></u>	<u><u>1,014,140</u></u>

All retained profits for the Company level are realised profits.

B13. PROFIT FOR THE PERIOD

	Individual Quarter Ended		Cumulative Period Ended	
	31 Dec 2015 RM '000	31 Dec 2014 RM '000	31 Dec 2015 RM '000	31 Dec 2014 RM '000
Profit for the period is arrived at				
after charging:				
Amortisation of land use rights	1,774	2,765	7,094	7,095
Net unrealised foreign exchange loss	-	-	-	-
Inventories written off	1,924	1,669	1,924	1,435
Change in fair value of hedging derivatives	5,500	-	3,534	221
Finance costs	6	3,613	4,509	13,093
Property, plant and equipment				
- depreciation and amortisation	25,201	21,651	80,091	69,720
- written off	(250)	1,161	331	2,038
- impairment loss	37,017	4,967	37,047	4,967
Net impairment loss on trade receivables	-	-	2,120	-
Impairment loss on goodwill	62,783	-	62,783	-
after (crediting):				
Income from scrap disposal	(1,617)	(2,845)	(10,038)	(14,411)
Interest income	(3,132)	(5,050)	(14,472)	(16,605)
Inventories written back	-	-	-	-
Change in fair value of hedging derivatives	-	-	-	-
Net unrealised foreign exchange gain	(15,406)	(22,100)	(56,960)	(22,990)
Rental income				
- land	(14)	(14)	(44)	(57)
- building	(386)	(486)	(1,071)	(1,090)
- equipments	(185)	89	(386)	(756)