

**QUARTERLY REPORT**

This is a quarterly report on consolidated results for the period ended 31 March 2016  
The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2016**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31 MAR 2016 RM '000	PRECEDING YEAR CORRESPONDING QUARTER 31 MAR 2015 RM '000	CURRENT YEAR TO DATE 31 MAR 2016 RM '000	PRECEDING YEAR TO DATE 31 MAR 2015 RM '000
Revenue	256,720	719,496	256,720	719,496
Other operating (loss) / income	<u>(2,066)</u>	<u>28,868</u>	<u>(2,066)</u>	<u>28,868</u>
Operating profit	(3,495)	35,293	(3,495)	35,293
Share of loss of joint ventures	(1,846)	(291)	(1,846)	(291)
(Loss) / profit before taxation	<u>(5,341)</u>	<u>35,002</u>	<u>(5,341)</u>	<u>35,002</u>
Taxation	<u>(2,622)</u>	<u>896</u>	<u>(2,622)</u>	<u>896</u>
(Loss) / profit after taxation	<u>(7,963)</u>	<u>35,898</u>	<u>(7,963)</u>	<u>35,898</u>
<b>Other comprehensive income:</b>				
Fair value gain / (loss) on cash flow hedges	<u>1,510</u>	<u>(697)</u>	<u>1,510</u>	<u>(697)</u>
<b>Total comprehensive income for the period</b>	<u>(6,453)</u>	<u>35,201</u>	<u>(6,453)</u>	<u>35,201</u>
<b>Profit attributable to:</b>				
Equity holders of the Company	(7,576)	36,028	(7,576)	36,028
Non-controlling interests	<u>(387)</u>	<u>(130)</u>	<u>(387)</u>	<u>(130)</u>
	<u>(7,963)</u>	<u>35,898</u>	<u>(7,963)</u>	<u>35,898</u>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	(6,066)	35,331	(6,066)	35,331
Non-controlling interests	<u>(387)</u>	<u>(130)</u>	<u>(387)</u>	<u>(130)</u>
	<u>(6,453)</u>	<u>35,201</u>	<u>(6,453)</u>	<u>35,201</u>
Earnings per share attributable to equity holders of the Company:				
(i) Basic (sen)	(0.5)	2.3	(0.5)	2.3
(ii) Dilutive (sen)	(0.5)	2.3	(0.5)	2.3

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016**

	AS AT END OF CURRENT QUARTER 31 MAR 2016 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31 DEC 2015 RM '000
<b>Non-Current Assets</b>		
<i>Property, Plant and Equipment</i>	1,626,828	1,642,154
<i>Prepaid Land Lease Payments</i>	228,767	230,541
<i>Investment in Joint Ventures</i>	13,878	15,724
<i>Deferred Tax Assets</i>	79,829	79,915
	<u>1,949,302</u>	<u>1,968,334</u>
<b>Current Assets</b>		
<i>Inventories</i>	15,431	12,102
<i>Trade &amp; Other Receivables</i>	1,322,979	1,474,702
<i>Derivatives</i>	3,197	635
<i>Tax recoverable</i>	4,236	4,146
<i>Cash and Cash Equivalents</i>	922,842	860,175
	<u>2,268,685</u>	<u>2,351,760</u>
<b>Current Liabilities</b>		
<i>Trade &amp; Other Payables</i>	1,531,048	1,626,592
<i>Derivatives</i>	-	110
<i>Provisions</i>	12,970	12,970
	<u>1,544,018</u>	<u>1,639,672</u>
<b>Net Current Assets</b>	<u>724,667</u>	<u>712,088</u>
	<u>2,673,969</u>	<u>2,680,422</u>
<b>Equity attributable to equity holders of the Company</b>		
<i>Share Capital</i>	800,000	800,000
<i>Share Premium</i>	818,263	818,263
<i>Cash Flow Hedge Reserve</i>	1,866	356
<i>Retained Earnings</i>	1,050,449	1,058,025
	<u>2,670,578</u>	<u>2,676,644</u>
<b>Non-controlling interests</b>	<u>3,391</u>	<u>3,778</u>
<b>Total equity</b>	<u>2,673,969</u>	<u>2,680,422</u>
	<u>2,673,969</u>	<u>2,680,422</u>

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

	CUMULATIVE	
	CURRENT YEAR TO DATE 31 MAR 2016 RM '000	PRECEDING YEAR TO DATE 31 MAR 2015 RM '000
(Loss) / profit before taxation	(5,341)	35,002
Adjustments for:		
Property, plant and equipment		
- depreciation	20,711	17,778
- write off	110	78
Amortisation of land use rights	1,774	1,773
Net impairment loss on trade receivables	-	2,392
Interest income	(4,240)	(3,765)
Change in fair value of hedging derivatives	(1,162)	46
Net unrealised foreign exchange loss / (gain)	37,432	(13,330)
Finance cost	-	2,848
Inventories written back	-	(4)
Share of loss of joint ventures	1,846	291
Operating profit before working capital changes	51,130	43,109
Inventories	(3,329)	(4,499)
Trade and other receivables	113,673	83,016
Trade and other payables	(94,930)	203,645
Cash generated from operations	66,544	325,271
Tax paid	(2,622)	(4,065)
Refund from tax	-	2,032
Net Cash Flow generated from Operating Activities	63,922	323,238
Purchase of property, plant and equipment	(5,495)	(35,403)
Interest received	4,240	3,765
Net Cash Flow used in Investing Activities	(1,255)	(31,638)
Interest paid	-	(2,848)
Drawdown on revolving credit facilities	-	91,000
Repayment on revolving credit facilities	-	(65,000)
Net Cash Flow used in Financing Activities	-	23,152
Net Change in Cash & Cash Equivalents	62,667	314,752
Cash & Cash Equivalents at the beginning of the year	860,175	589,228
Cash & Cash Equivalents at the end of the period	922,842	903,980

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
<b>3 MONTHS ENDED 31 MARCH 2016</b>							
At 1 January 2016	800,000	818,263	1,058,025	356	2,676,644	3,778	2,680,422
Total comprehensive income	-	-	(7,576)	1,510	(6,066)	(387)	(6,453)
<b>At 31 December 2015</b>	<b>800,000</b>	<b>818,263</b>	<b>1,050,449</b>	<b>1,866</b>	<b>2,670,578</b>	<b>3,391</b>	<b>2,673,969</b>
<b>3 MONTHS ENDED 31 MARCH 2015</b>							
At 1 January 2015	800,000	818,263	1,014,139	501	2,632,903	3,219	2,636,122
Total comprehensive income	-	-	36,028	(697)	35,331	(130)	35,201
<b>At 31 March 2015</b>	<b>800,000</b>	<b>818,263</b>	<b>1,050,167</b>	<b>(196)</b>	<b>2,668,234</b>	<b>3,089</b>	<b>2,671,323</b>

## 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 26 April 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 March 2016 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 2015. 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 2015.

### 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 2016 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2015.

As of 1 January 2016, the Group have adopted the following revised MFRSs and Amendments to MFRSs that have been issued by the MASB:

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

Annual Improvements to MFRSs 2012 - 2014 Cycle  
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation  
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants  
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations  
Amendments to MFRS 127: Equity Method in Separate Financial Statements  
Amendments to MFRS 101: Disclosure Initiatives  
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception  
MFRS 14 Regulatory Deferral Accounts

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

MFRS 15 Revenue from Contracts with Customers  
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 2015 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

There were no exceptional items during the quarter ended 31 March 2016.

### 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 March 2016.

#### 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:

REVENUE AND RESULT	Offshore RM '000	Marine RM '000	Others RM '000	Eliminations RM '000	Total RM '000
<b>Revenue</b>					
Total Revenue - External	136,380	120,340	-	-	256,720
Inter-Segment	-	-	195	(195) *	-
	<u>136,380</u>	<u>120,340</u>	<u>195</u>	<u>(195)</u>	<u>256,720</u>
<b>Result</b>					
Operating profit	<u>(26,136)</u>	<u>15,014</u>	<u>7,957</u> **	<u>(330)</u> *	(3,495)
Share of results of joint ventures					(1,846)
<b>Profit before taxation</b>					<u>(5,341)</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 2015.

#### A12. SUBSEQUENT MATERIAL EVENT

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

#### A13. CHANGES IN THE COMPOSITION OF THE GROUP

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

#### A14. CONTINGENT LIABILITIES

Contingent liabilities of the Group comprise the following :-

	31 Mar 2016 RM '000	31 Dec 2015 RM '000
<b>Unsecured</b>		
Bank guarantees extended to: -		
- Related companies	144,518	154,915
- Third parties	329,724	301,826
	<u>474,242</u>	<u>456,741</u>

#### A15. CAPITAL COMMITMENTS

	31 Mar 2016 RM '000	31 Dec 2015 RM '000
Approved and contracted for	24,177	52,897
Approved but not contracted for	74,611	59,976
	<u>98,788</u>	<u>112,873</u>

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

## A16. 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 RM3,197,000 in debit (31.12.2015: RM525,000 in debit) are measured at Level 2 hierarchy.

## B1. REVIEW OF PERFORMANCE

	Individual Quarter Ended		Cumulative Period Ended	
	31 Mar 2016 RM '000	31 Mar 2015 RM '000	31 Mar 2016 RM '000	31 Mar 2015 RM '000
<b>Revenue</b>				
Offshore	136,380	616,278	136,380	616,278
Marine	120,340	105,620	120,340	105,620
Others	195	63	195	63
Eliminations/Adjustments	(195)	(2,465)	(195)	(2,465) *^
	<u>256,720</u>	<u>719,496</u>	<u>256,720</u>	<u>719,496</u>
<b>Operating Profit</b>				
Offshore	(26,136)	1,443	(26,136)	1,443
Marine	15,014	14,956	15,014	14,956
Others	7,957	25,138	7,957	25,138
Eliminations/Adjustments	(330)	(6,244)	(330)	(6,244) *#
	<u>(3,495)</u>	<u>35,293</u>	<u>(3,495)</u>	<u>35,293</u>

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

^ Inter-segment revenue elimination

Marine	-	2,402	-	2,402
Others	195	63	195	63

# Inter-segment operating profit elimination

Offshore	271	5,353	271	5,353
Marine	59	891	59	891

### Performance of current quarter against the corresponding quarter

The Group registered an operating loss at RM3.5 million against RM35.3 million profit in the corresponding quarter and segmentally analysed as follows:

#### Offshore

Offshore registered significantly lower revenue and an operating loss during the quarter mainly due to lower backlog as most projects are nearing completion.

#### Marine

Marine's revenue and operating profit are higher against corresponding quarter mainly due to higher value for vessels repaired from LNG, FPSO and FSU categories including settlement of carried forward projects in current quarter.

#### Group

The Group registered a loss before tax of RM5.3 million against profit before tax of RM35.0 million in the corresponding quarter .

## B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group's registered a lower loss before taxation of RM5.3 million against the preceding quarter's loss before taxation of RM49.8 million. The variance was mainly due to recognition of impairment on both goodwill (RM62.8 million) and assets (RM37.0 million) in preceding quarter.

### B3. CURRENT YEAR PROSPECTS

Given the challenging environment in the upstream segment, the financial performance of the Group's offshore business is expected to remain sluggish. MHB has, however, over the years taken several initiatives to diversify into other business areas which include piping, mechanical and structural service works for the refinery and petrochemical segment, hook-up and commissioning as well as facilities improvement and maintenance for offshore segment.

These initiatives have borne positive result with MHB securing contracts in these areas in 2015 and the works are in-progress. Intensified marketing and bidding activities are ongoing to replenish the order book, the outcome of which will be subject to final investment decisions by clients to proceed with such projects amidst the low oil and gas price economy.

The marine business is expected to remain positive and will, to a certain extent, cushion the slowdown of the offshore business. In addition, the Group is currently looking at several initiatives to expand the marine repair business to balance the business portfolio.

Overall, the Group continues to focus on its cost management and resource optimisation efforts in line with the outlook of the industry.

### 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 Mar 2016 RM '000	31 Mar 2015 RM '000
Taxation for the period comprises the following charge:		
Income tax (credit) / charge		
- current period	2,536	3,553
- prior year	-	(2,214)
Deferred taxation	86	(2,235)
	<u>2,622</u>	<u>(896)</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. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments for the quarter ended 31 March 2016.

### B7. CHANGES IN MATERIAL LITIGATION

There were no material litigation involving the Group as at 31 March 2016.

### B8. DIVIDEND PROPOSED

No dividend has been proposed for the quarter ended 31 March 2016.

### B9. 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 March 2016 are as follows:

	Contract/ Notional Amount as at 31 Mar 2016 (in RM '000)	Fair Value gain/(loss) (in RM '000)
Forward foreign currency contracts	132,429	3,273

During the period, the Group has recognised a net gain of RM1,510,000 in its statement of comprehensive income mainly due to settlement of the forward foreign currency contracts in the current year.



## B10. EARNINGS PER SHARE

In respect of earnings per share :-

- i) The amount used as numerator for the calculation of basic earnings per share is RM7.6 million in debit for the first quarter ended 31 March 2016 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 first quarter ended 31 March 2016 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.

## B11. REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group as at 31 March 2016 and 31 December 2015 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 Mar 2016 RM '000	31 Dec 2015 RM '000
Total retained profits of the Company and its subsidiaries:		
- Realised	793,325	869,221
- Unrealised	72,195	9,840
	<u>865,520</u>	<u>879,061</u>
Total share of retained profits from joint ventures:		
- Realised	(459)	1,138
- Unrealised	(34)	215
	<u>865,027</u>	<u>880,414</u>
Add: Consolidation adjustments	185,422	177,611
Total Group retained profits as per consolidated accounts	<u><u>1,050,449</u></u>	<u><u>1,058,025</u></u>

All retained profits for the Company level are realised profits.

## B12. PROFIT FOR THE PERIOD

	Individual Quarter Ended		Cumulative Period Ended	
	31 Mar 2016 RM '000	31 Mar 2015 RM '000	31 Mar 2016 RM '000	31 Mar 2015 RM '000
<b>Profit for the period is arrived at</b>				
<b>after charging:</b>				
Amortisation of land use rights	1,774	1,773	1,774	1,773
Net unrealised foreign exchange loss	37,432	-	37,432	-
Change in fair value of hedging derivatives	-	46	-	46
Finance costs	-	2,848	-	2,848
Property, plant and equipment				
- depreciation and amortisation	20,711	17,778	20,711	17,778
- written off	110	78	110	78
<b>after (crediting):</b>				
Income from scrap disposal	(3,845)	(6,790)	(3,845)	(6,790)
Interest income	(4,240)	(3,765)	(4,240)	(3,765)
Inventories written back	-	(4)	-	(4)
Change in fair value of hedging derivatives	(1,162)	-	(1,162)	-
Net unrealised foreign exchange gain	-	(13,330)	-	(13,330)
Rental income				
- land	(15)	(14)	(15)	(14)
- building	(327)	(262)	(327)	(262)
- equipments	(154)	(71)	(154)	(71)