

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 30 June 2016
The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2016

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30 JUNE 2016 RM '000	PRECEDING YEAR CORRESPONDING QUARTER 30 JUNE 2015 RM '000	CURRENT YEAR TO DATE 30 JUNE 2016 RM '000	PRECEDING YEAR TO DATE 30 JUNE 2015 RM '000
Revenue	297,442	582,143	554,162	1,301,639
Other operating (loss) / income	<u>(11,656)</u>	<u>5,231</u>	<u>(13,722)</u>	<u>24,511</u>
Operating (loss) / profit	(492)	17,487	(3,987)	52,780
Share of (loss) / profit of joint ventures	(329)	85	(2,175)	(206)
(Loss) / profit before taxation	<u>(821)</u>	<u>17,572</u>	<u>(6,162)</u>	<u>52,574</u>
Taxation	<u>(1,700)</u>	<u>623</u>	<u>(4,322)</u>	<u>1,519</u>
(Loss) / profit after taxation	<u>(2,521)</u>	<u>18,195</u>	<u>(10,484)</u>	<u>54,093</u>
Other comprehensive income:				
Fair value loss on cash flow hedges	<u>(2,822)</u>	<u>(351)</u>	<u>(1,312)</u>	<u>(1,048)</u>
Total comprehensive income for the period	<u>(5,343)</u>	<u>17,844</u>	<u>(11,796)</u>	<u>53,045</u>
Profit attributable to:				
Equity holders of the Company	(2,559)	18,026	(10,135)	54,054
Non-controlling interests	<u>38</u>	<u>169</u>	<u>(349)</u>	<u>39</u>
	<u>(2,521)</u>	<u>18,195</u>	<u>(10,484)</u>	<u>54,093</u>
Total comprehensive income attributable to:				
Equity holders of the Company	(5,381)	17,675	(11,447)	53,006
Non-controlling interests	<u>38</u>	<u>169</u>	<u>(349)</u>	<u>39</u>
	<u>(5,343)</u>	<u>17,844</u>	<u>(11,796)</u>	<u>53,045</u>
Earnings per share attributable to equity holders of the Company:				
(i) Basic (sen)	(0.2)	1.1	(0.6)	3.4
(ii) Dilutive (sen)	(0.2)	1.1	(0.6)	3.4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	AS AT END OF CURRENT QUARTER 30 JUNE 2016 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31 DEC 2015 RM '000
Non-Current Assets		
<i>Property, Plant and Equipment</i>	1,627,787	1,642,154
<i>Prepaid Land Lease Payments</i>	226,994	230,541
<i>Investment in Joint Ventures</i>	13,548	15,724
<i>Deferred Tax Assets</i>	79,829	79,915
	<u>1,948,158</u>	<u>1,968,334</u>
Current Assets	5231	
<i>Inventories</i>	18,017	12,102
<i>Trade & Other Receivables</i>	1,234,693	1,474,702
<i>Derivatives</i>	-	635
<i>Tax recoverable</i>	4,236	4,146
<i>Cash and Cash Equivalents</i>	805,413	860,175
	<u>2,062,359</u>	<u>2,351,760</u>
Current Liabilities		
<i>Trade & Other Payables</i>	1,324,161	1,626,592
<i>Derivatives</i>	1,200	110
<i>Provisions</i>	16,530	12,970
	<u>1,341,891</u>	<u>1,639,672</u>
Net Current Assets	<u>720,468</u>	<u>712,088</u>
	<u>2,668,626</u>	<u>2,680,422</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>	(956)	356
<i>Retained Earnings</i>	1,047,890	1,058,025
	<u>2,665,197</u>	<u>2,676,644</u>
Non-controlling interests	3,429	3,778
Total equity	<u>2,668,626</u>	<u>2,680,422</u>
	<u>2,668,626</u>	<u>2,680,422</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2016

	CUMULATIVE	
	CURRENT YEAR TO DATE 30 JUNE 2016 RM '000	PRECEDING YEAR TO DATE 30 JUNE 2015 RM '000
(Loss) / profit before taxation	(6,162)	52,574
Adjustments for:		
Property, plant and equipment		
- depreciation	38,586	36,132
- write off	110	476
Amortisation of land use rights	3,547	3,547
Net provision / (reversal) for warranty	3,560	(593)
Net impairment loss on trade receivables	1,157	2,392
Interest income	(9,853)	(7,388)
Change in fair value of hedging derivatives	413	(248)
Net unrealised foreign exchange loss / (gain)	50,903	203
Finance cost	-	4,503
Share of loss of joint ventures	2,176	206
Operating profit before working capital changes	84,437	91,804
Inventories	(5,915)	(197)
Trade and other receivables	187,567	31,892
Trade and other payables	(302,139)	337,214
Cash (used in) / generated from operations	(36,050)	460,713
Tax paid	(4,236)	(5,670)
Refund from tax	-	2,214
Net Cash Flow (used in) / generated from Operating Activities	(40,286)	457,257
Purchase of property, plant and equipment	(24,329)	(69,815)
Interest received	9,853	7,388
Net Cash Flow used in Investing Activities	(14,476)	(62,427)
Interest paid	-	(4,503)
Drawdown on revolving credit facilities	-	91,000
Repayment on revolving credit facilities	-	(356,000)
Net Cash Flow used in Financing Activities	-	(269,503)
Net Change in Cash & Cash Equivalents	(54,762)	125,327
Cash & Cash Equivalents at the beginning of the year	860,175	589,228
Cash & Cash Equivalents at the end of the period	805,413	714,555

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2016

	<----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
6 MONTHS ENDED 30 JUNE 2016							
At 1 January 2016	800,000	818,263	1,058,025	356	2,676,644	3,778	2,680,422
Total comprehensive income	-	-	(10,135)	(1,312)	(11,447)	(349)	(11,796)
At 30 June 2016	<u>800,000</u>	<u>818,263</u>	<u>1,047,890</u>	<u>(956)</u>	<u>2,665,197</u>	<u>3,429</u>	<u>2,668,626</u>
6 MONTHS ENDED 30 JUNE 2015							
At 1 January 2015	800,000	818,263	1,014,139	501	2,632,903	3,219	2,636,122
Total comprehensive income	-	-	54,054	(1,048)	53,006	39	53,045
At 30 June 2015	<u>800,000</u>	<u>818,263</u>	<u>1,068,193</u>	<u>(547)</u>	<u>2,685,909</u>	<u>3,258</u>	<u>2,689,167</u>

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 29 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 30 June 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 30 June 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 30 June 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:

	Heavy Engineering*	Marine	Others	Eliminations	Total
REVENUE AND RESULT	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue					
Total Revenue - External	354,158	200,004	-	-	554,162
Inter-Segment	-	-	237	(237) **	-
	<u>354,158</u>	<u>200,004</u>	<u>237</u>	<u>(237)</u>	<u>554,162</u>
Result					
Operating (loss) / profit	<u>(51,708)</u>	<u>19,220</u>	<u>29,162</u> ***	<u>(661)</u> **	(3,987)
Share of results of joint ventures					(2,175)
Loss before taxation					<u>(6,162)</u>

* Heavy Engineering segment comprise of offshore and onshore oil and gas works.

** 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 :-

	30 June 2016	31 Dec 2015
	RM '000	RM '000
Unsecured		
Bank guarantees extended to: -		
- Related companies	155,859	154,915
- Third parties	488,237	301,826
	<u>644,096</u>	<u>456,741</u>

A15. CAPITAL COMMITMENTS

	30 June 2016	31 Dec 2015
	RM '000	RM '000
Approved and contracted for	66,580	52,897
Approved but not contracted for	32,208	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 RM1,200,000 in credit (31.12.2015: RM525,000 in debit) are measured at Level 2 hierarchy.

B1. REVIEW OF PERFORMANCE

	Individual Quarter Ended		Cumulative Period Ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	RM '000	RM '000	RM '000	RM '000
Revenue				
Heavy Engineering (Note 1)	217,778	461,045	354,158	1,077,323
Marine	79,664	121,098	200,004	226,718
Others	42	47	237	110
Eliminations/Adjustments	(42)	(47)	(237)	(2,512) *^
	<u>297,442</u>	<u>582,143</u>	<u>554,162</u>	<u>1,301,639</u>
Operating Profit / (Loss)				
Heavy Engineering	(25,572)	6,456	(51,708)	7,899
Marine	4,206	19,435	19,220	34,391
Others	21,205	(2,285)	29,162	22,853
Eliminations/Adjustments	(331)	(6,119)	(661)	(12,363) *#
	<u>(492)</u>	<u>17,487</u>	<u>(3,987)</u>	<u>52,780</u>

Note 1: The "Heavy Engineering" unit is now the business segment in the Group which caters for Offshore and Onshore EPCIC and other related services. Previously it was known as "Offshore" business segment.

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

^ Inter-segment revenue elimination

Marine	-	-	-	2,402
Others	42	47	237	110

Inter-segment operating profit elimination

Heavy Engineering	268	4,979	535	10,332
Marine	63	1,140	126	2,031

Performance of current quarter against the corresponding quarter

The Group registered an operating loss at RM0.5 million against RM17.5 million profit in the corresponding quarter and segmentally analysed as follows:

Heavy Engineering

Heavy Engineering registered significantly lower revenue and an operating loss during the quarter as lower revenue were recognised on the back of fewer and lower value projects in progress.

Marine

Marine's revenue and operating profit are lower against corresponding quarter mainly due to lower number of rig repairs and conversion works in current quarter.

Group

The Group registered a loss before tax of RM0.8 million on the back of fewer and lower value projects in progress against profit before tax of RM17.6 million in the corresponding quarter.

Performance of current period against the corresponding period

The Group registered an operating loss at RM4.0 million against RM52.8 million profit in the corresponding period and segmentally analysed as follows:

Heavy Engineering

Heavy Engineering registered lower revenue during the year as a result of fewer and lower value projects in progress.

Heavy Engineering recorded an operating loss of RM51.7 million compared to RM7.9 million profit in the corresponding year, as lower revenue and contribution recorded are insufficient to absorb the current group's overheads.

Marine

Marine's revenue and operating profit are lower against corresponding period mainly due to lower number of rig repairs and conversion works in current period.

Group

The Group registered a loss before tax of RM6.2 million against profit before tax of RM52.6 million in the corresponding period.

Other's operating profit is higher against corresponding period mainly due to higher interest income and scrap disposal, as well as settlement receipt from litigation against Weatherford.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group registered a lower loss before taxation of RM0.8 million against the preceding quarter's loss before taxation of RM5.3 million. The variance was mainly due to higher revenue recognition by heavy engineering segment as well as lower overheads in current quarter.

B3. CURRENT YEAR PROSPECTS

Outlook for the heavy engineering business remains sluggish as the downturn in the upstream sector is expected to persist at least for the next 12 months. Significant heavy engineering projects cancellations and deferrals will result in under utilisation of assets, which may be subjected to impairment tests. The Group's initiative and success to diversify into other areas which include piping, mechanical and structural works for the onshore segment, hook-up & commissioning as well as facilities maintenance projects have partly replenish the order book for the short term.

The marine repair and maintenance work will provide a slight reprieve against the slowdown of the heavy engineering business. The Group is evaluating several initiatives to expand the marine business within the medium to long term to balance its portfolio mix.

The Group continues to focus on cost management and resource optimization 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

	30 June 2016	30 June 2015
	RM '000	RM '000
Taxation for the period comprises the following charge:		
Income tax (credit) / charge		
- current period	4,236	1,581
- prior year	-	(2,214)
Deferred taxation	86	(886)
	<u>4,322</u>	<u>(1,519)</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 30 June 2016.

B7. CHANGES IN MATERIAL LITIGATION

There were no material litigation involving the Group as at 30 June 2016.

B8. DIVIDEND PROPOSED

No dividend has been proposed for the quarter ended 30 June 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 30 June 2016 are as follows:

	Contract/ Notional	Fair Value
	Amount as at 30 June 2016 (in RM '000)	gain/(loss) (in RM '000)
Forward foreign currency contracts	85,980	122

During the period, the Group has recognised a net loss of RM1,312,000 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 RM10.1 million in debit for the second quarter ended 30 June 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 second quarter ended 30 June 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 30 June 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.

	30 June 2016 RM '000	31 Dec 2015 RM '000
Total retained profits of the Company and its subsidiaries:		
- Realised	791,477	869,221
- Unrealised	73,142	9,840
	<u>864,619</u>	<u>879,061</u>
Total share of retained profits from joint ventures:		
- Realised	(871)	1,138
- Unrealised	49	215
	<u>863,797</u>	<u>880,414</u>
Add: Consolidation adjustments	184,093	177,611
Total Group retained profits as per consolidated accounts	<u>1,047,890</u>	<u>1,058,025</u>

All retained profits for the Company level are realised profits.

B12. PROFIT FOR THE PERIOD

	Individual Quarter Ended		Cumulative Period Ended	
	30 June 2016 RM '000	30 June 2015 RM '000	30 June 2016 RM '000	30 June 2015 RM '000
Profit for the period is arrived at				
after charging:				
Amortisation of land use rights	1,773	1,774	3,547	3,547
Net loss from scrap disposal	-	1,008	-	-
Net unrealised foreign exchange loss	13,471	13,533	50,903	203
Change in fair value of hedging derivatives	1,575	-	413	-
Finance costs	-	1,655	-	4,503
Property, plant and equipment				
- depreciation and amortisation	17,875	18,354	38,586	36,132
- written off	-	398	110	476
Net impairment loss on trade receivables	1,157	-	1,157	2,392
after (crediting):				
Net income from scrap disposal	(1,526)	-	(5,371)	(5,782)
Interest income	(5,613)	(3,623)	(9,853)	(7,388)
Change in fair value of hedging derivatives	-	(294)	-	(248)
Rental income				
- land	(14)	(4)	(29)	(18)
- building	(259)	(156)	(586)	(418)
- equipments	(120)	(62)	(274)	(133)