

QUARTERLY REPORT

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

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

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31 DEC 2016 RM '000	PRECEDING YEAR CORRESPONDING QUARTER 31 DEC 2015 RM '000	CURRENT YEAR TO DATE 31 DEC 2016 RM '000	PRECEDING YEAR TO DATE 31 DEC 2015 RM '000
Revenue	303,642	721,140	1,191,298	2,459,033
Other operating income / (loss)	<u>2,305</u>	<u>(34,567)</u>	<u>8,709</u>	<u>60,275</u>
Operating profit	18,695	50,414	13,055	123,662
Provision for impairment on goodwill and assets	(140,529)	(99,800)	(140,529)	(99,800)
Share of profit / (loss) of joint ventures	(4,804)	(445)	(7,558)	(1,361)
(Loss) / profit before taxation	<u>(126,638)</u>	<u>(49,831)</u>	<u>(135,032)</u>	<u>22,501</u>
Taxation	<u>6,636</u>	<u>23,512</u>	<u>469</u>	<u>21,944</u>
(Loss) / profit after taxation	<u>(120,002)</u>	<u>(26,319)</u>	<u>(134,563)</u>	<u>44,445</u>
Other comprehensive income:				
Fair value loss on cash flow hedges	<u>(4,803)</u>	<u>4,975</u>	<u>(6,917)</u>	<u>2,763</u>
Total comprehensive income for the period	<u>(124,805)</u>	<u>(21,344)</u>	<u>(141,480)</u>	<u>47,208</u>
Profit attributable to:				
Equity holders of the Company	(119,672)	(27,132)	(134,302)	43,886
Non-controlling interests	<u>(330)</u>	<u>813</u>	<u>(261)</u>	<u>559</u>
	<u>(120,002)</u>	<u>(26,319)</u>	<u>(134,563)</u>	<u>44,445</u>
Total comprehensive income attributable to:				
Equity holders of the Company	(124,475)	(22,157)	(141,219)	46,649
Non-controlling interests	<u>(330)</u>	<u>813</u>	<u>(261)</u>	<u>559</u>
	<u>(124,805)</u>	<u>(21,344)</u>	<u>(141,480)</u>	<u>47,208</u>
Earnings per share attributable to equity holders of the Company:				
(i) Basic (sen)	(7.5)	(1.7)	(8.4)	2.7
(ii) Dilutive (sen)	(7.5)	(1.7)	(8.4)	2.7

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	AS AT END OF CURRENT QUARTER 31 DEC 2016 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31 DEC 2015 RM '000
Non-Current Assets		
<i>Property, Plant and Equipment</i>	1,544,924	1,642,154
<i>Prepaid Land Lease Payments</i>	223,447	230,541
<i>Investment in Joint Ventures</i>	8,166	15,724
<i>Deferred Tax Assets</i>	79,691	79,915
	<u>1,856,228</u>	<u>1,968,334</u>
Current Assets		
<i>Inventories</i>	10,747	12,102
<i>Trade & Other Receivables</i>	1,177,025	1,474,702
<i>Derivatives</i>	-	635
<i>Tax recoverable</i>	11,007	4,146
<i>Cash and Cash Equivalents</i>	671,128	860,175
	<u>1,869,907</u>	<u>2,351,760</u>
Current Liabilities		
<i>Trade & Other Payables</i>	1,146,026	1,626,592
<i>Derivatives</i>	6,655	110
<i>Provisions</i>	14,837	12,970
	<u>1,167,518</u>	<u>1,639,672</u>
Net Current Assets	<u>702,389</u>	<u>712,088</u>
	<u>2,558,617</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>Consolidation Reserve</i>	192	-
<i>Cash Flow Hedge Reserve</i>	(6,561)	356
<i>Retained Earnings</i>	923,723	1,058,025
	<u>2,535,617</u>	<u>2,676,644</u>
Non-controlling interests	<u>3,000</u>	<u>3,778</u>
Total equity	<u>2,538,617</u>	<u>2,680,422</u>
Non-Current Liabilities		
<i>Long Term Loan</i>	20,000	-
	<u>2,558,617</u>	<u>2,680,422</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2016

	CURRENT YEAR TO DATE 31 DEC 2016 RM '000	CUMULATIVE PRECEDING YEAR TO DATE 31 DEC 2015 RM '000
(Loss) / profit before taxation	(135,032)	22,501
Adjustments for:		
Property, plant and equipment		
- depreciation	78,731	80,092
- write off	127	332
- impairment loss	140,529	37,017
Amortisation of land use rights	7,094	7,094
Net provision / (reversal) for warranty	1,867	(5,858)
Net (reversal) / impairment loss on trade receivables	(756)	2,120
Impairment loss of goodwill	-	62,783
Loss on disposal of non-current asset held for sale	-	2,721
Interest income	(20,214)	(14,389)
Change in fair value of hedging derivatives	263	(670)
Net unrealised foreign exchange gain	(7,573)	(56,960)
Finance cost	262	4,509
Inventories (written back) / written off	(67)	1,924
Share of loss after tax of joint ventures	7,558	1,360
Operating profit before working capital changes	72,789	144,576
Inventories	1,422	(2,305)
Trade and other receivables	307,667	430,262
Trade and other payables	(480,188)	101,870
Cash (used in) / generated from operations	(98,310)	674,403
Tax paid	(8,223)	(10,710)
Refund from tax	-	11,060
Net Cash Flow (used in) / generated from Operating Activities	(106,533)	674,753
Purchase of property, plant and equipment	(122,157)	(152,247)
Proceeds from disposal of non-current asset held for sale	-	3,561
Interest received	19,968	14,389
Subscription of shares in subsidiary	3,000	-
Increase in equity interest in subsidiary	(3,325)	-
Net Cash Flow used in Investing Activities	(102,514)	(134,297)
Interest paid	-	(4,509)
Drawdown on Sukuk Murabahah credit facilities	20,000	-
Drawdown on revolving credit facilities	-	91,000
Repayment on revolving credit facilities	-	(356,000)
Net Cash Flow used in Financing Activities	20,000	(269,509)
Net Change in Cash & Cash Equivalents	(189,047)	270,947
Cash & Cash Equivalents at the beginning of the year	860,175	589,228
Cash & Cash Equivalents at the end of the period	671,128	860,175

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2016

	<----Attributable to equity holders of the Company---->							Total Equity RM '000
	Share Capital RM '000	Share Premium RM '000	Distributable Retained Earnings RM '000	Cash flow Hedge Reserve RM '000	Consolidation Reserve RM '000	Total RM '000	Non-controlling Interests RM '000	
12 MONTHS ENDED 31 DECEMBER 2016								
At 1 January 2016	800,000	818,263	1,058,025	356	-	2,676,644	3,778	2,680,422
Total comprehensive income	-	-	(134,302)	(6,917)	-	(141,219)	(261)	(141,480)
Arising from increase in equity interest in subsidiary company	-	-	-	-	192	192	(3,517)	(3,325)
Acquisition of subsidiary company	-	-	-	-	-	-	3,000	3,000
At 31 December 2016	800,000	818,263	923,723	(6,561)	192	2,535,617	3,000	2,538,617
12 MONTHS ENDED 31 DECEMBER 2015								
At 1 January 2015	800,000	818,263	1,014,139	501	-	2,632,903	3,219	2,636,122
Total comprehensive income	-	-	43,886	(145)	-	43,741	559	44,300
At 31 December 2015	800,000	818,263	1,058,025	356	-	2,676,644	3,778	2,680,422

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 6 February 2017.

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 year ended 31 December 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 December 2016.

A7. CHANGES IN ESTIMATES

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

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 year to date.

A10. SEGMENT REPORT

Segmental analysis for the current financial year 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	746,666	444,632	-	-	1,191,298
Inter-Segment	<u>-</u>	<u>-</u>	<u>780</u>	<u>(780)</u> **	<u>-</u>
	<u>746,666</u>	<u>444,632</u>	<u>780</u>	<u>(780)</u>	<u>1,191,298</u>
Result					
Operating (loss) / profit	<u>(107,713)</u>	<u>88,518</u>	<u>33,992</u> ***	<u>(1,742)</u> **	13,055
Provision for impairment on goodwill and assets					(140,529)
Share of results of joint ventures					(7,558)
Loss before taxation					<u>(135,032)</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

MHB's wholly owned subsidiary, Malaysia Marine and Heavy Engineering Sdn. Bhd. ("MMHE") has, on 21 November 2016, acquired the remaining 30% holding in a subsidiary known as MMHE-SHI LNG Sdn. Bhd. ("MSLNG") from Samsung Heavy Industries Co. Ltd.

MSLNG was incorporated in Malaysia under the Companies Act on 6 April 2006 as a private limited company. MSLNG commenced business on 6 April 2006, with principal activity to provide repair services and drydocking of LNG carriers.

MSLNG has an authorised capital of RM11,100,000 divided into 3,000,000 ordinary shares of RM3.70 each and an issued and paid-up share capital of RM3,700,000 comprising 1,000,000 ordinary shares of RM3.70 each. MSLNG has remained dormant throughout year 2016.

Subsequently, MSLNG has changed its name to MMHE LNG Sdn. Bhd. effective 8 December 2016.

A14. CONTINGENT LIABILITIES

Contingent liabilities of the Group comprise the following :-

	31 Dec 2016 RM '000	31 Dec 2015 RM '000
Unsecured		
Bank guarantees extended to: -		
- Related companies	132,473	154,915
- Third parties	75,634	301,826
	<u>208,107</u>	<u>456,741</u>

A15. CAPITAL COMMITMENTS

	31 Dec 2016 RM '000	31 Dec 2015 RM '000
Approved and contracted for	91,036	52,897
Approved but not contracted for	7,752	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 RM6,655,000 in credit (31.12.2015: RM525,000 in debit) are measured at Level 2 hierarchy.

B1. REVIEW OF PERFORMANCE

	Individual Quarter Ended		Cumulative Year Ended	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	RM '000	RM '000	RM '000	RM '000
Revenue				
Heavy Engineering (Note 1)	172,815	615,128	746,666	1,994,742
Marine	130,827	106,012	444,632	466,693
Others	366	61	780	171
Eliminations/Adjustments	(366)	(61)	(780)	(2,573) **^
	<u>303,642</u>	<u>721,140</u>	<u>1,191,298</u>	<u>2,459,033</u>
Operating Profit / (Loss)				
Heavy Engineering	(34,443)	25,606	(107,713)	9,209
Marine	49,402	22,478	88,518	81,583
Others	4,487	7,400	33,992	55,547
Eliminations/Adjustments	(751)	(5,070)	(1,742)	(22,677) *#
	<u>18,695</u>	<u>50,414</u>	<u>13,055</u>	<u>123,662</u>

Note 1: The "Heavy Engineering" unit is 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	366	61	780	171
# Inter-segment operating profit elimination				
Heavy Engineering	608	4,001	1,411	18,217
Marine	143	1,069	331	4,460

Performance of current quarter against the corresponding quarter

The Group registered lower operating profit of RM18.7 million against RM50.4 million in the corresponding quarter, which is segmentally analysed as follows:

Heavy Engineering

Heavy Engineering's revenue fell by 72% at the back of fewer and lower backlog and order intake; which in turn has resulted in operating loss of RM34.4 million compared to an operating profit of RM25.6 million.

Marine

Marine's revenue and operating profit was higher against corresponding quarter mainly due to higher value of vessels repaired from LNG and FPSO conversion works in current quarter.

Group

The Group registered a higher loss before tax of RM126.6 million against RM49.8 million loss in the corresponding quarter in tandem with lower operating profit and higher impairment being recognised in current quarter.

Performance of current year against the corresponding year

The Group registered a lower operating profit at RM13.1 million against RM123.7 million in the corresponding year, which is analysed as follows:

Heavy Engineering

Heavy Engineering registered lower revenue by 63% against previous year as a result of fewer and lower backlog and order intake.

An operating loss of RM107.7 million was recorded as compared to RM9.2 million profit in the corresponding year mainly due to insufficient revenue and contribution to absorb the Group's overhead.

Marine

Despite lower revenue against corresponding year, Marine's operating profit was higher at RM88.5 million compared to RM81.6 million in the corresponding year due to higher profit contributed by LNG and FPSO conversion works, which offers better margin compared to other categories.

Group

The Group registered a loss before tax of RM135.0 million against profit before tax of RM22.5 million in the corresponding year, mainly due to lower contribution from Heavy Engineering, net forex loss compared to gain in previous year as well as the impact from recognition of higher impairment on assets in current year.

In order to cope with the prolonged depressed outlook of the oil and gas industry, the Group continued its cost optimisation effort, including manpower rationalisation.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group's registered a higher loss before taxation of RM126.6 million against the preceding quarter's loss before taxation of RM2.2 million. The variance was mainly due to recognition of impairment on assets amounting to RM140.5 million in current quarter.

B3. CURRENT YEAR PROSPECTS

Although an agreement was reached by OPEC and non-OPEC members to reduce their countries output from 1st January 2017, their commitment to honour this pact remains to be seen. NOCs and IOCs are expected to adopt the same strategy on deferment and scale-down of upstream projects for the major part of the year. Coupled with geopolitical risk, any meaningful recovery in the demand for offshore structures is not anticipated to materialise until 2018 at least.

The Group will continue with its efforts on cost management and resource optimisation to reduce its operating cost in line with the outlook of the industry. In addition, the Group intensifies its effort to replenish its orderbook, namely from onshore segment, hook-up & commissioning and facilities improvement.

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 2016 RM '000	31 Dec 2015 RM '000
Taxation for the year comprises the following charge:		
Income tax (credit) / charge		
- current year	(693)	7,504
- prior year	-	(30,135)
Deferred taxation	224	687
	<u>(469)</u>	<u>(21,944)</u>

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

B6. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

B7. CHANGES IN MATERIAL LITIGATION

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

B8. DIVIDEND PROPOSED

No dividend has been proposed for the quarter ended 31 December 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 December 2016 are as follows:

	Contract/ Notional Amount as at 31 Dec 2016 (in RM '000)	Fair Value gain/(loss) (in RM '000)
Forward foreign currency contracts	63,550	(6,966)

During the year, the Group has recognised a net loss of RM6,917,000 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 RM134.3 million in debit for the fourth quarter ended 31 December 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 fourth quarter ended 31 December 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 September 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 Dec 2016 RM '000	31 Dec 2015 RM '000
Total retained profits of the Company and its subsidiaries:		
- Realised	673,948	869,221
- Unrealised	76,288	9,840
	<u>750,236</u>	<u>879,061</u>
Total share of retained profits from joint ventures:		
- Realised	1,409	1,138
- Unrealised	29	215
	<u>751,674</u>	<u>880,414</u>
Add: Consolidation adjustments	172,049	177,611
Total Group retained profits as per consolidated accounts	<u><u>923,723</u></u>	<u><u>1,058,025</u></u>

All retained profits for the Company level are realised profits.

B12. PROFIT FOR THE PERIOD / YEAR

	Individual Quarter Ended		Cumulative Year Ended	
	31 Dec 2016 RM '000	31 Dec 2015 RM '000	31 Dec 2016 RM '000	31 Dec 2015 RM '000
Profit for the period / year is arrived at after charging:				
Amortisation of land use rights	1,773	1,774	7,094	7,094
Inventories written off	-	1,924	-	1,924
Change in fair value of hedging derivatives	83	1,296	263	-
Finance costs	262	6	262	4,509
Property, plant and equipment				
- depreciation and amortisation	20,887	25,201	78,731	80,092
- written off	-	(250)	127	332
- impairment loss	140,529	37,017	140,529	37,017
Net impairment loss on trade receivables	412	-	-	2,120
Impairment loss on goodwill	-	62,783	-	62,783
after (crediting):				
Net income from scrap disposal	(1,135)	(1,617)	(9,790)	(10,038)
Interest income	(4,850)	(3,132)	(20,214)	(14,472)
Inventories written back	(67)	-	(67)	-
Change in fair value of hedging derivatives	-	-	-	(670)
Net unrealised foreign exchange gain	(61,190)	(15,406)	(7,573)	(56,960)
Net reversal of impairment loss on trade receivables	-	-	(756)	-
Rental income				
- land	(17)	(14)	(71)	(44)
- building	(953)	(386)	(2,048)	(1,071)
- equipments	(112)	(185)	(506)	(386)