

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 31 March 2017
The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2017

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31 MAR 2017 RM '000	PRECEDING YEAR CORRESPONDING QUARTER 31 MAR 2016 RM '000	CURRENT YEAR TO DATE 31 MAR 2017 RM '000	PRECEDING YEAR TO DATE 31 MAR 2016 RM '000
Revenue	235,844	256,720	235,844	256,720
Other operating loss	<u>(7,516)</u>	<u>(2,066)</u>	<u>(7,516)</u>	<u>(2,066)</u>
Operating loss	(15,595)	(3,495)	(15,595)	(3,495)
Finance cost	(227)	-	(227)	-
Share of loss of joint ventures	(1,799)	(1,846)	(1,799)	(1,846)
Loss before tax	<u>(17,621)</u>	<u>(5,341)</u>	<u>(17,621)</u>	<u>(5,341)</u>
Tax	976	(2,622)	976	(2,622)
Loss after tax	<u>(16,645)</u>	<u>(7,963)</u>	<u>(16,645)</u>	<u>(7,963)</u>
Other comprehensive income:				
Fair value gain on cash flow hedges	<u>9,007</u>	<u>1,510</u>	<u>9,007</u>	<u>1,510</u>
Total comprehensive loss for the period	<u><u>(7,638)</u></u>	<u><u>(6,453)</u></u>	<u><u>(7,638)</u></u>	<u><u>(6,453)</u></u>
Loss attributable to:				
Equity holders of the Company	(16,608)	(7,576)	(16,608)	(7,576)
Non-controlling interests	<u>(37)</u>	<u>(387)</u>	<u>(37)</u>	<u>(387)</u>
	<u><u>(16,645)</u></u>	<u><u>(7,963)</u></u>	<u><u>(16,645)</u></u>	<u><u>(7,963)</u></u>
Total comprehensive loss attributable to:				
Equity holders of the Company	(7,601)	(6,066)	(7,601)	(6,066)
Non-controlling interests	<u>(37)</u>	<u>(387)</u>	<u>(37)</u>	<u>(387)</u>
	<u><u>(7,638)</u></u>	<u><u>(6,453)</u></u>	<u><u>(7,638)</u></u>	<u><u>(6,453)</u></u>
Loss per share attributable to equity holders of the Company:				
(i) Basic (sen)	(1.0)	(0.5)	(1.0)	(0.5)
(ii) Dilutive (sen)	(1.0)	(0.5)	(1.0)	(0.5)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	AS AT END OF CURRENT QUARTER 31 MAR 2017 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31 DEC 2016 RM '000
Non-Current Assets		
Property, Plant and Equipment	1,538,289	1,544,724
Prepaid Land Lease Payments	221,673	223,447
Investment in Joint Ventures	6,367	8,166
Deferred Tax Assets	79,721	79,691
Other Receivables	1,500	1,500
	<u>1,847,550</u>	<u>1,857,528</u>
Current Assets		
Inventories	11,371	10,747
Trade & Other Receivables	1,101,094	1,052,111
Tax Recoverable	13,152	11,007
Cash and Cash Equivalents	664,727	671,128
	<u>1,790,344</u>	<u>1,744,993</u>
Current Liabilities		
Trade & Other Payables	1,068,972	1,022,412
Derivatives	3,106	6,655
Provisions	14,837	14,837
Borrowings	20,000	20,000
	<u>1,106,915</u>	<u>1,063,904</u>
Net Current Assets	<u>683,429</u>	<u>681,089</u>
	<u>2,530,979</u>	<u>2,538,617</u>
Equity attributable to equity holders of the Company		
Share Capital	800,000	800,000
Share Premium	818,263	818,263
Cash Flow Hedge Reserve	2,446	(6,561)
Retained Earnings	907,307	923,915
	<u>2,528,016</u>	<u>2,535,617</u>
Non-controlling interests	2,963	3,000
Total equity	<u>2,530,979</u>	<u>2,538,617</u>
	<u>2,530,979</u>	<u>2,538,617</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2017

	CUMULATIVE	
	CURRENT YEAR TO DATE 31 MAR 2017 RM '000	PRECEDING YEAR TO DATE 31 MAR 2016 RM '000
Loss before tax	(17,621)	(5,341)
Adjustments for:		
Property, plant and equipment		
- depreciation	18,441	20,711
- write off	-	110
Amortisation of land use rights	1,774	1,774
Interest income	(2,419)	(4,240)
Change in fair value of hedging derivatives	5,458	(1,162)
Net unrealised foreign exchange loss	11,195	37,432
Finance cost	227	-
Inventories written back	(3)	-
Share of loss after tax of joint ventures	1,799	1,846
Operating profit before working capital changes	7,344	51,130
Inventories	(621)	(3,329)
Trade and other receivables	(59,546)	113,673
Trade and other payables	57,389	(94,930)
Cash generated from operations	4,566	66,544
Tax paid	(1,249)	(2,622)
Net Cash Flow generated from Operating Activities	3,317	63,922
Purchase of property, plant and equipment	(12,006)	(5,495)
Interest received	2,288	4,240
Net Cash Flow used in Investing Activities	(9,718)	(1,255)
Interest paid	-	-
Net Cash Flow used in Financing Activities	-	-
Net Change in Cash & Cash Equivalents	(6,401)	62,667
Cash & Cash Equivalents at the beginning of the year	671,128	860,175
Cash & Cash Equivalents at the end of the period	664,727	922,842

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2017

	<-----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	Total RM '000	Non-controlling Interests RM '000	
3 MONTHS ENDED 31 MARCH 2017							
At 1 January 2017	800,000	818,263	923,915	(6,561)	2,535,617	3,000	2,538,617
Total comprehensive income	-	-	(16,608)	9,007	(7,601)	(37)	(7,638)
At 31 March 2017	800,000	818,263	907,307	2,446	2,528,016	2,963	2,530,979
3 MONTHS ENDED 31 MARCH 2016							
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)
At 31 March 2016	800,000	818,263	1,050,449	1,866	2,670,578	3,391	2,673,969

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.

These condensed consolidated interim financial statements were approved by the Board of Directors on 26 April 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 period ended 31 March 2017 have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirement of Bursa Malaysia. 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 2016. 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 2016.

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 2017 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2016.

As of 1 January 2017, the Group and the Corporation have adopted the following revised MFRSs and Amendments to MFRSs that have been issued by the MASB:

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

Amendments to MFRS 12: Disclosure of Interests in Other Entities (Annual Improvements 2014-2016 Cycle)

Amendments to MFRS 107: Statement of Cash Flows: Disclosure Initiative

Amendments to MFRS 112 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the above pronouncements has no material financial impact to the Group.

A4. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2016 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 2017.

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 March 2017.

A9. DIVIDEND PAID

The company has not paid any dividends in the current financial quarter.

A10. SEGMENT REPORT

Segmental analysis for the current financial quarter is as follows:

	Heavy Engineering*	Marine	Others	Eliminations	Total
REVENUE AND RESULTS	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue					
Total Revenue - External	153,451	82,393	-	-	235,844
Inter-Segment	-	-	113	(113) **	-
	<u>153,451</u>	<u>82,393</u>	<u>113</u>	<u>(113)</u>	<u>235,844</u>
Result					
Operating (loss) / profit	<u>(24,059)</u>	<u>9,356</u>	<u>(982) ***</u>	<u>90 **</u>	(15,595)
Finance cost					(227)
Share of loss of joint ventures					(1,799)
Loss before tax					<u>(17,621)</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 loss 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. PROFIT FOR THE PERIOD

	Individual Quarter Ended		Cumulative Year Ended	
	31 Mar 2017	31 Mar 2016	31 Mar 2017	31 Mar 2016
	RM '000	RM '000	RM '000	RM '000
Profit for the period is arrived at after charging:				
Amortisation of land use rights	1,774	1,774	1,774	1,774
Net unrealised foreign exchange loss	11,195	37,432	11,195	37,432
Change in fair value of hedging derivatives	5,458	-	5,458	-
Finance costs	227	-	227	-
Property, plant and equipment				
- depreciation and amortisation	18,441	20,711	18,441	20,711
- written off	-	110	-	110
after (crediting):				
Net income from scrap disposal	(830)	(3,845)	(830)	(3,845)
Interest income	(2,419)	(4,240)	(2,419)	(4,240)
Inventories written back	(3)	-	(3)	-
Change in fair value of hedging derivatives	-	(1,162)	-	(1,162)
Rental income				
- land	(25)	(15)	(25)	(15)
- building	(833)	(327)	(833)	(327)
- equipments	(114)	(154)	(114)	(154)

A12. 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 2016.

A13. SUBSEQUENT MATERIAL EVENT

The Group's wholly-owned subsidiary, Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE") was awarded an Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) of Central Processing Platform (CPP) for the Bokor Phase 3 Re-Development Project by PETRONAS Carigali Sdn. Bhd. (PCSB) on 17 April 2017. The contract value of this EPCIC project is worth approximately RM1.0 Billion.

The first steel cut is expected to commence in Q3 2018 and the project is scheduled to be completed in Q2 2020. Upon completion, the new CPP will be installed at Bokor field located in Baram Delta, Offshore Sarawak, in a water depth of 70 meters.

The award is expected to contribute positively towards MHB Group's earnings beginning financial year 2018.

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 Mar 2017 RM '000	31 Dec 2016 RM '000
Unsecured		
Bank guarantees extended to: -		
- Related companies	121,061	134,961
- Third parties	179,672	241,235
	<u>300,733</u>	<u>376,196</u>

A16. CAPITAL COMMITMENTS

	31 Mar 2017 RM '000	31 Dec 2016 RM '000
Approved and contracted for	31,315	16,914
Approved but not contracted for	19,012	7,752
	<u>50,327</u>	<u>24,666</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 in 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 RM3,106,000 in credit (31.12.2016: RM6,655,000 in credit) are measured at Level 2 hierarchy.

B1. REVIEW OF PERFORMANCE

	Individual Quarter Ended		Cumulative Year Ended	
	31 Mar 2017	31 Mar 2016	31 Mar 2017	31 Mar 2016
	RM '000	RM '000	RM '000	RM '000
Revenue				
Heavy Engineering	153,451	136,380	153,451	136,380
Marine	82,393	120,340	82,393	120,340
Others	113	195	113	195
Eliminations/Adjustments	(113)	(195)	(113)	(195) *^
	<u>235,844</u>	<u>256,720</u>	<u>235,844</u>	<u>256,720</u>
Operating Loss				
Heavy Engineering	(24,059)	(26,136)	(24,059)	(26,136)
Marine	9,356	15,014	9,356	15,014
Others	(982)	7,957	(982)	7,957
Eliminations/Adjustments	90	(330)	90	(330) *#
	<u>(15,595)</u>	<u>(3,495)</u>	<u>(15,595)</u>	<u>(3,495)</u>

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

^ Inter-segment revenue elimination

Marine	-	-	-	-
Others	113	195	113	195

Inter-segment operating profit elimination

Heavy Engineering	(73)	271	(73)	271
Marine	(17)	59	(17)	59

Performance of current quarter against the corresponding quarter

The Group recorded higher operating loss of RM15.6 million against RM3.5 million loss in the corresponding quarter, segmentally analysed as follows:

Heavy Engineering

Heavy Engineering's higher revenue was mainly due to recognition of progress for Rapid and F12 projects in the current quarter. The decrease in operating loss was mainly due to change order recognition for Malikai project in the current quarter. The Group also successfully delivered F12, Besar and Baronia structures in the current quarter.

Marine

Marine's revenue and operating profit was lower as corresponding quarter's results included one-off revenue and contribution from finalisation of carried forward projects.

Group

The Group registered a higher loss before tax of RM17.6 million against RM5.3 million loss in the corresponding quarter in tandem with higher operating loss.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group registered a lower revenue of RM235.8 million against preceding quarter's revenue of RM303.6 million and a loss before tax of RM17.6 million against RM126.6 million loss in the preceding quarter.

Excluding impairment provision of RM140.5 million, the Group would have recorded a profit before tax of RM13.9 million in the preceding quarter. The Group's weaker performance is on the back of lower revenue in the current quarter.

B3. CURRENT YEAR PROSPECTS

While crude oil prices have generally improved in recent months as a result of reduction in oil output since the start of the year, the outlook remains uncertain. Deferral and scale-down of upstream projects is expected to prolong and continue to pose challenges to the industry for the major part of the year.

The Group remains committed to its strategy in managing cost, optimising its resources and improving operational efficiency in line with the challenging environment. Effort to replenish orderbook from the onshore segment, hook-up & commissioning, facilities improvement and the marine segment are progressing and remain an ongoing priority.

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. TAX

	31 Mar 2017 RM '000	31 Mar 2016 RM '000
Tax for the year comprises the following charge:		
Income tax (credit) / charge		
- current period	106	2,536
- prior year	(1,052)	-
Deferred tax	(30)	86
	<u>(976)</u>	<u>2,622</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the year. Tax 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 2017.

B7. CHANGES IN MATERIAL LITIGATION

There were no material litigation involving the Group as at 31 March 2017.

B8. DIVIDEND PROPOSED

No dividend has been proposed for the quarter ended 31 March 2017.

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 2017 are as follows:

	Contract/ Notional Amount as at 31 Mar 2017 (in RM '000)	Fair Value gain/(loss) (in RM '000)
Forward foreign currency contracts	38,094	(2,447)

During the period, the Group has recognised a net gain of RM9,007,000 in its statement of comprehensive income mainly due to settlement of the forward foreign currency contracts in the current period.

B10. LOSS PER SHARE

In respect of earnings per share :-

- i) The amount used as numerator for the calculation of basic loss per share is RM16.6 million in debit for the first quarter ended 31 March 2017 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 loss per share and dilutive loss per share for the quarter ended 31 March 2017 is 1,600 million shares.

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 loss per share.

B11. REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group as at 31 March 2017 and 31 December 2016 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 2017	31 Dec 2016
	RM '000	RM '000
Total retained profits of the Company and its subsidiaries:		
- Realised	667,873	681,701
- Unrealised	66,182	66,188
	<u>734,055</u>	<u>747,889</u>
Total share of retained profits from joint ventures:		
- Realised	2,173	(6,686)
- Unrealised	(394)	480
	<u>735,834</u>	<u>741,683</u>
Add: Consolidation adjustments	171,473	182,232
Total Group retained profits as per consolidated accounts	<u><u>907,307</u></u>	<u><u>923,915</u></u>

All retained profits for the Company level are realised profits.