

QUARTERLY REPORT

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	QUARTER ENDED		FULL YEAR ENDED	
	31 DEC 2017	31 DEC 2016	31 DEC 2017	31 DEC 2016
	RM '000	RM '000	RM '000	RM '000
Revenue	247,954	303,642	956,414	1,191,298
Other operating income	<u>3,659</u>	<u>2,305</u>	<u>3,175</u>	<u>8,709</u>
Operating profit	23,532	18,695	14,257	13,055
Provision for asset impairments	-	(140,529)	-	(140,529)
Share of results of joint ventures	2,765	(4,804)	(3,239)	(7,558)
Profit / (loss) before taxation	<u>26,297</u>	<u>(126,638)</u>	<u>11,018</u>	<u>(135,032)</u>
Taxation	<u>20,854</u>	<u>6,636</u>	<u>21,428</u>	<u>469</u>
Profit / (loss) after taxation	<u>47,151</u>	<u>(120,002)</u>	<u>32,446</u>	<u>(134,563)</u>
<b>Other comprehensive (expense) / income:</b>				
Fair value (loss) / gain on cash flow hedges	<u>(445)</u>	<u>(4,803)</u>	<u>6,561</u>	<u>(6,917)</u>
<b>Total comprehensive income / (loss) for the period</b>	<u>46,706</u>	<u>(124,805)</u>	<u>39,007</u>	<u>(141,480)</u>
<b>Profit / (loss) attributable to:</b>				
Equity holders of the Company	48,133	(119,672)	34,233	(134,302)
Non-controlling interests	<u>(982)</u>	<u>(330)</u>	<u>(1,787)</u>	<u>(261)</u>
	<u>47,151</u>	<u>(120,002)</u>	<u>32,446</u>	<u>(134,563)</u>
<b>Total comprehensive income / (loss) attributable to:</b>				
Equity holders of the Company	47,688	(124,475)	40,794	(141,219)
Non-controlling interests	<u>(982)</u>	<u>(330)</u>	<u>(1,787)</u>	<u>(261)</u>
	<u>46,706</u>	<u>(124,805)</u>	<u>39,007</u>	<u>(141,480)</u>
Earnings / (loss) per share attributable to equity holders of the Company:				
(i) Basic (sen)	3.0	(7.5)	2.1	(8.4)
(ii) Dilutive (sen)	3.0	(7.5)	2.1	(8.4)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017**

	31 DEC 2017 RM '000	31 DEC 2016 RM '000
Non-current assets		
Property, plant and equipment	1,524,860	1,544,724
Land use rights	216,353	223,447
Investment in joint ventures	4,927	8,166
Deferred tax assets	93,293	79,691
Other receivables	-	1,500
	<u>1,839,433</u>	<u>1,857,528</u>
Current assets		
Inventories	2,399	10,747
Trade & other receivables	848,379	1,052,111
Derivatives	-	-
Tax recoverable	20,864	11,007
Cash and bank balances	674,968	671,128
	<u>1,546,610</u>	<u>1,744,993</u>
<b>TOTAL ASSETS</b>	<b><u>3,386,043</u></b>	<b><u>3,602,521</u></b>
Equity attributable to equity holders of the Company		
Share capital	1,618,263	800,000
Share premium	-	818,263
Cash flow hedge reserve	-	(6,561)
Retained earnings	958,148	923,915
	<u>2,576,411</u>	<u>2,535,617</u>
Non-controlling interests	1,213	3,000
Total equity	<u>2,577,624</u>	<u>2,538,617</u>
Current liabilities		
Trade & other payables	808,419	1,022,412
Derivatives	-	6,655
Provisions	-	14,837
Borrowings	-	20,000
	<u>808,419</u>	<u>1,063,904</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>3,386,043</u></b>	<b><u>3,602,521</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017**

	31 DEC 2017 RM '000	31 DEC 2016 RM '000
Profit / (loss) before taxation	11,018	(135,032)
Adjustments for:		
Property, plant and equipment		
- depreciation	79,946	78,481
- write off	126	127
Amortisation of land use rights	7,094	7,094
Impairment loss of property, plant and equipment	-	140,529
Net allowance / (reversal) for impairment loss on trade receivables	6,618	(1,794)
Interest income	(16,147)	(19,928)
Change in fair value of hedging derivatives	(94)	(262)
Net unrealised loss / (gain) on foreign exchange	19,643	(8,251)
Net (reversal) / provision of warranty	(14,837)	1,867
Inventories written back	(318)	-
Finance costs	-	262
Share of results of joint ventures	3,239	7,558
Operating profit before working capital changes	<u>96,288</u>	<u>70,651</u>
Inventories	8,666	4,827
Trade and other receivables	179,446	414,568
Trade and other payables	<u>(212,385)</u>	<u>(590,883)</u>
Cash generated from / (used in) operations	72,015	(100,837)
Tax paid	(2,083)	(6,168)
Tax refund	52	-
Net cash generated from / (used in) operations activities	<u>69,984</u>	<u>(107,005)</u>
Purchase of property, plant and equipment	(60,208)	(121,708)
Interest received	14,064	19,928
Net cash used in investments activities	<u>(46,144)</u>	<u>(101,780)</u>
(Repayment) / drawdown on Sukuk Murabahah credit facilities	(20,000)	20,000
Withdrawal of bank deposits	-	25,000
Interest paid	-	(262)
Net cash (used in) / generated from financing activities	<u>(20,000)</u>	<u>44,738</u>
Net change in cash & cash equivalents	3,840	(164,047)
Cash & cash equivalents at the beginning of the year	671,128	835,175
Cash & cash equivalents at the end of the year	<u><u>674,968</u></u>	<u><u>671,128</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	<-----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>12 MONTHS ENDED 31 DECEMBER 2017</b>							
<b>At 1 January 2017</b>	800,000	818,263	923,915	(6,561)	2,535,617	3,000	2,538,617
Total comprehensive income	-	-	34,233	6,561	40,794	(1,787)	39,007
Transition in accordance with section 618(2) of the Companies Act 2016 to no-par value regime on 31 January 2017 <sup>Note a</sup>	818,263	(818,263)	-	-	-	-	-
<b>At 31 December 2017</b>	<b>1,618,263</b>	<b>-</b>	<b>958,148</b>	<b>-</b>	<b>2,576,411</b>	<b>1,213</b>	<b>2,577,624</b>
<b>12 MONTHS ENDED 31 DECEMBER 2016</b>							
<b>At 1 January 2016</b>	800,000	818,263	1,058,025	356	2,676,644	3,778	2,680,422
Total comprehensive loss	-	-	(134,302)	(6,917)	(141,219)	(261)	(141,480)
Arising from increase in equity interest in a subsidiary	-	-	192	-	192	(3,517)	(3,325)
Acquisition of a subsidiary	-	-	-	-	-	3,000	3,000
<b>At 31 December 2016</b>	<b>800,000</b>	<b>818,263</b>	<b>923,915</b>	<b>(6,561)</b>	<b>2,535,617</b>	<b>3,000</b>	<b>2,538,617</b>

Note a:

Pursuant to Section 74 of the Companies Act, 2016 ('the act'), the Company's shares no longer have a par or nominal value with effect from 31 January 2017. In accordance with the transitional provision set out in section 618 of the Act, any amount standing to the credit of the share premium account becomes part of the Company's share capital. Companies have 24 months upon the commencement of the Act to utilise the credit.

There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition. During the financial period, the Company has not utilised any of the credit in the share premium account which is now part of share capital.

## **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 6 February 2018.

### **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 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 Company 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 issued an unqualified report on the financial statements for the year ended 31 December 2016.

### **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 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 December 2017.

#### A9. DIVIDEND PAID

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

#### A10. SEGMENT REPORT

Segmental analysis for the current financial year is as follows:

	<b>Heavy Engineering*</b>	<b>Marine</b>	<b>Others</b>	<b>Eliminations</b>	<b>Total</b>
<b>REVENUE AND RESULTS</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b>Revenue</b>					
External	591,324	365,090	-	-	956,414
Inter-Segment	-	-	417	(417) **	-
	<u>591,324</u>	<u>365,090</u>	<u>417</u>	<u>(417)</u>	<u>956,414</u>
<b>Result</b>					
Operating (loss) / profit	<u>(36,697)</u>	<u>52,766</u>	<u>(910) ***</u>	<u>(902) **</u>	14,257
Share of results of joint ventures					(3,239)
<b>Profit before taxation</b>					<u>11,018</u>

\* Heavy Engineering segment comprises mainly 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

	<b>Quarter Ended</b>		<b>Full Year Ended</b>	
	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b>Profit / (Loss) for the period is arrived at after charging:</b>				
Amortisation of land use rights	1,773	1,773	7,094	7,094
Net unrealised loss on foreign exchange	-	-	19,643	-
Finance costs	-	262	-	262
Property, plant and equipment				
- depreciation	22,787	20,637	79,946	78,481
- written off	6	28	126	127
- impairment loss	-	140,529	-	140,529
Allowance for impairment loss on trade receivables	2,088	-	6,618	-
<b>after (crediting):</b>				
Net income from scrap disposal	(1,764)	(1,135)	(3,542)	(9,790)
Interest income	(6,237)	(4,564)	(16,147)	(19,928)
Inventories written back	(611)	(67)	(318)	(67)
Net fair value gain on derivatives	(341)	(442)	(94)	(262)
Net unrealised gain on foreign exchange	(1,473)	(61,868)	-	(8,251)
Net reversal of impairment loss on trade receivables	-	(626)	-	(1,794)
Rental income				
- land	(17)	(17)	(79)	(71)
- building	458	(953)	(3,412)	(2,048)
- equipments	(105)	(112)	(457)	(506)

#### 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

There was no material event subsequent to the quarter end 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 2017 RM '000	31 Dec 2016 RM '000
<b>Unsecured</b>		
Bank guarantees extended to: -		
- Related companies	119,470	134,961
- Third parties	140,508	241,235
	<u>259,978</u>	<u>376,196</u>

#### A16. CAPITAL COMMITMENTS

	31 Dec 2017 RM '000	31 Dec 2016 RM '000
Approved and contracted for	301,543	16,914
Approved but not contracted for	212,748	7,752
	<u>514,291</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

There is no derivatives recorded by the Group as at 31 December 2017. The derivatives of the Group amounting to RM6,655,000 in credit as at 31 December 2016 were measured at Level 2 hierarchy.

**B1. REVIEW OF PERFORMANCE**

	Quarter Ended		Full Year Ended	
	31 Dec 2017 RM '000	31 Dec 2016 RM '000	31 Dec 2017 RM '000	31 Dec 2016 RM '000
<b>Revenue</b>				
Heavy Engineering	162,277	172,815	591,324	746,666
Marine	85,677	130,827	365,090	444,632
Others	-	366	417	780
Eliminations/Adjustments	-	(366)	(417)	(780) *^
	<u>247,954</u>	<u>303,642</u>	<u>956,414</u>	<u>1,191,298</u>
<b>Result</b>				
Heavy Engineering	11,570	(34,443)	(36,697)	(107,713)
Marine	12,059	49,402	52,766	88,518
Others	234	4,487	(910)	33,992
Eliminations/Adjustments	(331)	(751)	(902)	(1,742) *#
<b>Operating profit</b>	<u>23,532</u>	<u>18,695</u>	<u>14,257</u>	<u>13,055</u>
Provision for asset impairments	-	(140,529)	-	(140,529)
Share of results of joint ventures	2,765	(4,804)	(3,239)	(7,558)
<b>Profit/ (Loss) before taxation</b>	<u>26,297</u>	<u>(126,638)</u>	<u>11,018</u>	<u>(135,032)</u>

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

^ Inter-segment revenue elimination

Marine	-	-	-	-
Others	-	366	417	780

# Inter-segment operating profit elimination

Heavy Engineering	268	608	731	1,411
Marine	63	143	171	331

**Performance of current quarter against the quarter ended 31 December 2016 ("corresponding quarter").**

The Group recorded a higher operating profit of RM23.5 million from RM18.7 million profit in the corresponding quarter. This is achieved despite a lower revenue of RM247.9 million against RM303.6 million in the corresponding quarter.

Segmental review of performance against the corresponding quarter is as follows:

**Heavy Engineering**

Revenue of RM162.3 million was 6% lower than RM172.8 million in the corresponding quarter, mainly due to completion of several offshore projects in the first half of this financial year while onshore projects are nearing completion in the current quarter.

Heavy Engineering recorded an operating profit of RM11.6 million against RM34.4 million loss, mainly from finalisation of completed projects in the current quarter.

**Marine**

Revenue of RM85.7 million was 34% lower compared to the corresponding quarter's revenue of RM130.8 million, mainly due to lower value and number of vessels repaired in the current quarter.

Following the decrease in revenue, operating profit of RM12.1 million was RM37.3 million lower than the corresponding quarter's profit of RM49.4 million.

**Share of results of joint ventures**

The Group recorded a share of profit in joint ventures of RM2.8 million against RM4.8 million loss in the corresponding quarter, mainly due to reversal of cost provisions in the current quarter.



#### **Performance of current year against financial year ended 31 December 2016 ("prior year")**

Group revenue of RM956.4 million was 20% lower than the RM1,191.3 million revenue reported in the prior year. Notwithstanding the lower revenue, the Group's operating profit of RM14.3 million was 9% higher than the prior year's profit of RM13.1 million.

Analysis of segmental performance against the prior year is as follows:-

##### **Heavy Engineering**

Revenue of RM591.3 million was 21% lower than the prior year's revenue of RM746.7 million. Several offshore projects were completed in the first half of this year whilst revenue from new project will be mainly recognised in 2018 onwards.

The segment posted a lower operating loss of RM36.7 million from RM107.7 million loss in the prior year, mainly from recognition of change orders and finalisation of completed projects in the current year.

##### **Marine**

Revenue of RM365.1 million was 18% lower than the prior year's revenue of RM444.6 million, mainly due to lower contract value and number of vessels repaired. In tandem with the decrease in revenue, the segment recorded a lower operating profit of RM52.8 million from RM88.5 million in the prior year.

##### **Share of results of joint ventures**

Share of loss in joint ventures of RM3.2 million was lower compared to the prior year's loss of RM7.6 million, mainly due to reversal of cost provisions in the current year.

#### **B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS**

The Group's revenue of RM247.9 million was 15.1% higher than the preceding quarter's revenue of RM215.4 million, mainly due to higher revenue from new projects. The Group reported higher profit before tax of RM26.3 million against RM15.8 million profit in the preceding quarter, mainly from finalisation of completed projects in the current quarter.

#### **B3. CURRENT YEAR PROSPECTS**

There has been a steady rise in the oil price in recent months, consistent with the tightening global oil production and escalating geopolitical risks. However, sustainability of the price will depend on oil producers remaining committed to the oil production cut.

The Group remains cautious on the outlook for the industry in the near term. There is still uncertainty as to the industry's capital spending. MHB will continue its efforts on cost management and resource optimisation and is committed to its key strategies including strengthening its position in existing markets as well as expanding into new markets.

The Group had during the year secured a number of offshore fabrication projects which are expected to contribute positively to the Group's revenue in 2018 and beyond.

#### **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 2017 RM '000	31 Dec 2016 RM '000
Taxation for the year comprises the following:		
Income tax (credit) / charge		
- current period	587	2,852
- prior year	(8,413)	(3,545)
Deferred taxation	(13,602)	224
	<u>(21,428)</u>	<u>(469)</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 2017.

## B7. CHANGES IN MATERIAL LITIGATION

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

## B8. DIVIDEND PROPOSED

The Board of Directors has approved a tax exempt dividend of 3 sen per share (2016: nil) in respect of financial year 2017 amounting to RM48 million (2016: nil). The proposed dividend will be paid on 8 March 2018 to shareholders registered at the close of business on 23 February 2018.

A depositor shall qualify for entitlement to the dividend only in respect of:

- i) Shares transferred into the Depositor's Securities Account before 4.00pm on 23 February 2018 in respect of Ordinary Transfers; and
- ii) Shares bought on the BMSB on a cum entitlement basis according to the rules of BMSB.

## B9. DERIVATIVES

There is no derivative outstanding as at 31 December 2017.

## B10. EARNING / (LOSS) PER SHARE

	Quarter Ended		Full Year Ended	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Basic earning per share are computed as follows:				
Profit / (loss) for the period attributable to equity holders of the Company (RM '000)	48,133	(119,672)	34,233	(134,302)
Weighted average number of ordinary shares in issue (thousand)	1,600,000	1,600,000	1,600,000	1,600,000
<b>Basic earning per share (sen)</b>	<u><b>3.0</b></u>	<u><b>(7.5)</b></u>	<u><b>2.1</b></u>	<u><b>(8.4)</b></u>

The Group does not have any financial instrument which may dilute its basic earnings per share.