

**QUARTERLY REPORT**

This is a quarterly report on consolidated results for the period ended 31 March 2018  
The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2018**

	QUARTER ENDED		CUMULATIVE 3 MONTHS ENDED	
	31 MAR 2018	31 MAR 2017	31 MAR 2018	31 MAR 2017
	RM '000	RM '000	RM '000	RM '000
Revenue	188,275	235,844	188,275	235,844
Other operating income / (expense)	<u>2,591</u>	<u>(7,516)</u>	<u>2,591</u>	<u>(7,516)</u>
Operating loss	(24,840)	(15,595)	(24,840)	(15,595)
Finance cost	-	(227)	-	(227)
Share of results of joint ventures	(526)	(1,799)	(526)	(1,799)
Loss before taxation	<u>(25,366)</u>	<u>(17,621)</u>	<u>(25,366)</u>	<u>(17,621)</u>
Taxation	<u>(310)</u>	<u>976</u>	<u>(310)</u>	<u>976</u>
Loss after taxation	<u>(25,676)</u>	<u>(16,645)</u>	<u>(25,676)</u>	<u>(16,645)</u>
<b>Other comprehensive income:</b>				
Fair value gain on cash flow hedges	<u>-</u>	<u>9,007</u>	<u>-</u>	<u>9,007</u>
<b>Total comprehensive loss for the period</b>	<u>(25,676)</u>	<u>(7,638)</u>	<u>(25,676)</u>	<u>(7,638)</u>
<b>Loss attributable to:</b>				
Equity holders of the Company	(25,273)	(16,608)	(25,273)	(16,608)
Non-controlling interests	<u>(403)</u>	<u>(37)</u>	<u>(403)</u>	<u>(37)</u>
	<u>(25,676)</u>	<u>(16,645)</u>	<u>(25,676)</u>	<u>(16,645)</u>
<b>Total comprehensive loss attributable to:</b>				
Equity holders of the Company	(25,273)	(7,601)	(25,273)	(7,601)
Non-controlling interests	<u>(403)</u>	<u>(37)</u>	<u>(403)</u>	<u>(37)</u>
	<u>(25,676)</u>	<u>(7,638)</u>	<u>(25,676)</u>	<u>(7,638)</u>
Loss per share attributable to equity holders of the Company:				
(i) Basic (sen)	(1.6)	(1.0)	(1.6)	(1.0)
(ii) Dilutive (sen)	(1.6)	(1.0)	(1.6)	(1.0)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018**

	31 MAR 2018 RM '000	31 DEC 2017 RM '000 RESTATED (NOTE A3)
Non-current assets		
Property, plant and equipment	1,537,513	1,524,860
Land use rights	214,579	216,353
Investment in joint ventures	4,401	4,927
Deferred tax assets	93,425	93,293
	<u>1,849,918</u>	<u>1,839,433</u>
Current assets		
Inventories	3,965	2,399
Trade & other receivables	783,220	819,278
Tax recoverable	20,554	20,864
Cash and bank balances	514,563	674,968
	<u>1,322,302</u>	<u>1,517,509</u>
<b>TOTAL ASSETS</b>	<b><u>3,172,220</u></b>	<b><u>3,356,942</u></b>
Equity attributable to equity holders of the Company		
Share capital	1,618,263	1,618,263
Retained earnings	888,211	961,484
	<u>2,506,474</u>	<u>2,579,747</u>
Non-controlling interests	810	1,213
Total equity	<u>2,507,284</u>	<u>2,580,960</u>
Current liabilities		
Trade & other payables	664,936	775,982
	<u>664,936</u>	<u>775,982</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>3,172,220</u></b>	<b><u>3,356,942</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2018**

	<b>31 MAR 2018</b>	<b>31 MAR 2017</b>
	<b>RM '000</b>	<b>RM '000</b>
Loss before taxation	(25,366)	(17,621)
Adjustments for:		
Property, plant and equipment		
- depreciation	19,514	18,441
Amortisation of land use rights	1,774	1,774
Net allowance for impairment loss on trade receivables	2,783	-
Interest income	(1,433)	(2,419)
Change in fair value of hedging derivatives	-	5,458
Net unrealised (gain) / loss on foreign exchange	(2,720)	11,195
Inventories written back	-	(3)
Finance costs	-	227
Share of results of joint ventures	526	1,799
Operating (loss) / profit before working capital changes	(4,922)	18,851
Inventories	(1,566)	(621)
Trade and other receivables	37,709	(59,546)
Trade and other payables	(112,355)	45,882
Cash (used in) / generated from operations	(81,134)	4,566
Tax paid	-	(1,249)
Net cash (used in) / generated from operations activities	(81,134)	3,317
Purchase of property, plant and equipment	(32,167)	(12,006)
Interest received	896	2,288
Net cash used in investments activities	(31,271)	(9,718)
Dividends paid to equity holders of the Company	(48,000)	-
Net cash used in financing activities	(48,000)	-
Net change in cash & cash equivalents	(160,405)	(6,401)
Cash & cash equivalents at the beginning of the year	674,968	671,128
Cash & cash equivalents at the end of the period	514,563	664,727

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2018

	<-----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 2018 (RESTATED - NOTE A3)</b>							
At 1 January 2018	1,618,263	-	961,484	-	2,579,747	1,213	2,580,960
Total comprehensive loss	-	-	(25,273)	-	(25,273)	(403)	(25,676)
Dividends paid to equity holders of the Company	-	-	(48,000)	-	(48,000)	-	(48,000)
<b>At 31 March 2018</b>	<b>1,618,263</b>	<b>-</b>	<b>888,211</b>	<b>-</b>	<b>2,506,474</b>	<b>810</b>	<b>2,507,284</b>
<b>3 MONTHS ENDED 31 MARCH 2017</b>							
At 1 January 2017	800,000	818,263	923,915	(6,561)	2,535,617	3,000	2,538,617
Total comprehensive (loss) / income	-	-	(16,608)	9,007	(7,601)	(37)	(7,638)
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 March 2017</b>	<b>1,618,263</b>	<b>-</b>	<b>907,307</b>	<b>2,446</b>	<b>2,528,016</b>	<b>2,963</b>	<b>2,530,979</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 3 May 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 period ended 31 March 2018 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 2017. 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 2017.

### **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 2018 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2017.

At the beginning of the current financial year, the Group and the Company adopted new MFRSs, Amendments to MFRSs and an IC Interpretation (collectively referred to as "pronouncements") that have been issued by the MASB and are applicable as listed below:

#### **Effective for annual periods beginning on or after 1 January 2018**

Amendments to MFRS 2: Share-based Payment: Classification and Measurement of Share-based Payment Transactions  
MFRS 9: Financial Instruments  
MFRS 15: Revenue from Contracts with Customers  
Amendments to MFRS 140 Investment Property: Transfer of Investment Property  
Annual Improvements to MFRS Standards 2014-2016 Cycle  
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

The adoption of these pronouncements did not have a significant impact to the financial statements of the Group and the Company except as mentioned below:

#### **(a) MFRS 15: Revenue from Contracts with Customers**

MFRS 15 replaces the guidance in MFRS 111: Construction Contracts, MFRS 118: Revenue, IC Interpretation 13: Customer Loyalty Programmes, IC Interpretation 15: Agreements for Construction of Real Estate, IC Interpretation 18: Transfer of Assets from Customers and IC Interpretation 131: Revenue - Barter Transactions involving Advertising Services. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

The Group has decided to apply MFRS 15 retrospectively with cumulative effect on initially applying this standard as an adjustment to the opening balance of retained earnings as at the date of initial application. Under this transition method, the Group applies this standard retrospectively, only to revenue contracts that are not completed at the date of initial application (i.e. 1 January 2017).

The effect of adopting MFRS 15 is, as follows:

**Impact on Statement of Financial Position (increase / (decrease)) as at 31 December 2017:**

	<b><u>RM '000</u></b>
Current assets	
Trade & other receivables	(27,774)
<b>TOTAL ASSETS</b>	<b><u>(27,774)</u></b>
Equity attributable to equity holders of the Company	
Retained earnings	3,336
Total equity	<u>3,336</u>
Current liabilities	
Trade & other payables	(31,110)
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>(31,110)</u></b>

**Impact on Statement of Profit or Loss (increase / (decrease)) as at 31 December 2017:**

	<b><u>RM '000</u></b>
Revenue	(27,774)
Cost of Sales	31,110
<b>Total Comprehensive Income for the Period</b>	<b><u>3,336</u></b>
Attributable to:	
Equity holders of the parent	3,336

**(b) MFRS 9: Financial Instruments**

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments:

- classification and measurement;
- impairment; and
- hedge accounting.

With the exception of hedge accounting, the Group has applied MFRS 9 retrospectively, with the initial application date of 1 January 2018 and adjusting the comparative information for the period beginning 1 January 2017.

The adoption of MFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Group does not have other financial assets other than Contract assets and Trade and other receivables, for which the Group has applied the standard's simplified approach and calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment in which the business is operating in.

The impact upon application of the new impairment model was not material in relation to the opening balance of the Group as at 1 January 2018.

**A4. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors issued an unqualified report on the financial statements for the year ended 31 December 2017.

**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 2018.

**A7. CHANGES IN ESTIMATES**

There were no material changes in estimates reported in the current period 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 2018.

**A9. DIVIDEND PAID**

The Company paid the following dividends during the period ended 31 March 2018 and year ended 31 December 2017:

	31 March 2018		31 December 2017	
	Sen/Share	RM million	Sen/Share	RM million
Final tax exempt dividend in respect of:				
- Financial year ended 31 December 2017 on 8 March 2018	3.0	48.0	-	-

**A10. SEGMENT REPORT**

Segmental analysis for the current financial period is as follows:

	Heavy Engineering*	Marine	Others	Eliminations	Total
REVENUE AND RESULTS	RM '000	RM '000	RM '000	RM '000	RM '000
<b>Revenue</b>					
External	<u>111,268</u>	<u>77,007</u>	<u>-</u>	<u>-</u>	<u>188,275</u>
<b>Result</b>					
Operating loss	<u>(12,784)</u>	<u>(7,193)</u>	<u>(4,533) ***</u>	<u>(330) **</u>	<u>(24,840)</u>
Share of results of joint ventures					(526)
<b>Loss before taxation</b>					<u><u>(25,366)</u></u>

\* Heavy Engineering segment comprises mainly offshore and onshore oil and gas works.

\*\* Inter-segment 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

	Quarter Ended		Cumulative 3 Months Ended	
	31 Mar 2018 RM '000	31 Mar 2017 RM '000	31 Mar 2018 RM '000	31 Mar 2017 RM '000
<b>Profit / (Loss) for the period is arrived at after charging:</b>				
Amortisation of land use rights	1,774	1,774	1,774	1,774
Net unrealised loss on foreign exchange	-	11,195	-	11,195
Net fair value loss on derivatives	-	5,458	-	5,458
Finance costs	-	227	-	227
Property, plant and equipment - depreciation	19,514	18,441	19,514	18,441
Allowance for impairment loss on trade receivables	2,783	-	2,783	-
<b>after (crediting):</b>				
Net income from scrap disposal	(442)	(830)	(442)	(830)
Interest income	(1,433)	(1,419)	(1,433)	(1,419)
Inventories written back	-	(3)	-	(3)
Net unrealised gain on foreign exchange	(2,720)	-	(2,720)	-
Rental income				
- land	(6)	(25)	(6)	(25)
- building	(1,284)	(833)	(1,284)	(833)
- equipments	(108)	(114)	(108)	(114)

#### 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 2017.

#### 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 Mar 2018 RM '000	31 Dec 2017 RM '000
<b>Unsecured</b>		
Bank guarantees extended to: -		
- Related companies	104,219	122,950
- Third parties	87,961	138,714
	<u>192,180</u>	<u>261,664</u>

#### A16. CAPITAL COMMITMENTS

	31 Mar 2018 RM '000	31 Dec 2017 RM '000
Approved and contracted for	342,640	301,543
Approved but not contracted for	201,972	212,748
	<u>544,612</u>	<u>514,291</u>

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



**B1. REVIEW OF PERFORMANCE**

	Quarter Ended		Cumulative 3 Months Ended	
	31 Mar 2018 RM '000	31 Mar 2017 RM '000	31 Mar 2018 RM '000	31 Mar 2017 RM '000
<b>Revenue</b>				
Heavy Engineering	111,268	153,451	111,268	153,451
Marine	77,007	82,393	77,007	82,393
Others	-	113	-	113
Eliminations/Adjustments	-	(113)	-	(113) <sup>*^</sup>
	<u>188,275</u>	<u>235,844</u>	<u>188,275</u>	<u>235,844</u>
<b>Result</b>				
Heavy Engineering	(12,784)	(24,059)	(12,784)	(24,059)
Marine	(7,193)	9,356	(7,193)	9,356
Others	(4,533)	(982)	(4,533)	(982)
Eliminations/Adjustments	(330)	90	(330)	90 <sup>*#</sup>
<b>Operating loss</b>	<u>(24,840)</u>	<u>(15,595)</u>	<u>(24,840)</u>	<u>(15,595)</u>
Finance cost	-	(227)	-	(227)
Share of results of joint ventures	(526)	(1,799)	(526)	(1,799)
<b>Loss before taxation</b>	<u>(25,366)</u>	<u>(17,621)</u>	<u>(25,366)</u>	<u>(17,621)</u>

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

^ Inter-segment revenue elimination

Others	-	113	-	113
--------	---	-----	---	-----

# Inter-segment operating loss elimination

Heavy Engineering	267	(73)	267	(73)
Marine	63	(17)	63	(17)

**Performance of current quarter against the quarter ended 31 March 2017 ("corresponding quarter").**

The Group recorded a higher operating loss of RM24.8 million from RM15.6 million loss in the corresponding quarter. This is mainly due to a lower revenue of RM188.3 million against RM235.8 million in the corresponding quarter.

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

**Heavy Engineering**

Revenue of RM111.3 million was 27% lower than RM153.5 million in the corresponding quarter, mainly due to lower revenue recognised from completed or sailaway projects while ongoing projects are either nearing completion or still at early stages.

Heavy Engineering recorded a lower operating loss of RM12.8 million against RM24.1 million loss, mainly from finalisation of completed projects in the current quarter.

**Marine**

Revenue of RM77.0 mil was lower than RM82.4 mil reported in the corresponding quarter, mainly due to lesser repair works performed as some ship owners have deferred their dry docking to a later period than planned.

Following the decrease in revenue, Marine recorded an operating loss of RM7.2 mil against RM9.4 mil profit in the corresponding quarter.

**Share of results of joint ventures**

The Group recorded a lower share of loss in joint ventures of RM0.5 million against RM1.8 million loss in the corresponding quarter, mainly from recognition of change orders in the current quarter.

## B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group's revenue of RM188.3 million was 24% lower than the preceding quarter's revenue of RM247.9 million, mainly due to lower revenue from both Heavy Engineering and Marine segments. The Group reported a loss before tax of RM25.3 million against RM26.3 million profit in the preceding quarter, mainly from finalisation of completed projects in the preceding quarter.

## B3. CURRENT YEAR PROSPECTS

Global oil prices have seen a steady rise since 2016, spurred by cuts in global production initiated by OPEC in 2017. There are early signs of a pick up of upstream and offshore activities which will lead to a recovery in oil and gas spending in the coming years. However, this is unlikely to translate into immediate opportunities in 2018.

The Heavy Engineering segment continues to suffer from scarcity of new contracts and accordingly, performance in 2018 is expected to remain under pressure.

Meanwhile, the Marine segment encountered headwinds as ship owners deferred their dry docking activities, in reaction to uncertainty in the enforcement of new regulations in the shipping industry. Correspondingly, performance of the Marine business was impacted during this quarter. Performance in the second half is expected to improve, benefiting from the deferral of some dry docking activities into this period.

The Group is committed to its strategy of expanding into new business segments, in oil and gas services, to ensure sustainability of income. Replenishment of order book for both Marine and Heavy Engineering segments remains a top 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. TAXATION

	31 Mar 2018 RM '000	31 Mar 2017 RM '000
Taxation for the year comprises the following:		
Income tax (credit) / charge		
- current period	310	106
- prior year	-	(1,052)
Deferred taxation	-	(30)
	<u>310</u>	<u>(976)</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 March 2018.

## B7. CHANGES IN MATERIAL LITIGATION

There were no material litigation involving the Group as at 31 March 2018.

## B8. DIVIDEND PROPOSED

No dividend has been proposed for the quarter ended 31 March 2018.

**B9. DERIVATIVES**

There is no derivative outstanding as at 31 March 2018.

**B10. EARNING / (LOSS) PER SHARE**

	Quarter Ended		Cumulative 3 Months Ended	
	31 Mar 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017
Basic earning per share are computed as follows:				
Loss for the period attributable to equity holders of the Company (RM '000)	(25,273)	(16,608)	(25,273)	(16,608)
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>	<b><u>(1.6)</u></b>	<b><u>(1.0)</u></b>	<b><u>(1.6)</u></b>	<b><u>(1.0)</u></b>

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