

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 31 March 2013
The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 31 MARCH 2013

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31 MAR 2013 RM '000	PRECEDING YEAR CORRESPONDING QUARTER 31 MAR 2012 RM '000	CURRENT YEAR TO DATE 31 MAR 2013 RM '000	PRECEDING YEAR TO DATE 31 MAR 2012 RM '000
Revenue	921,826	665,267	921,826	665,267
Other operating income	<u>15,924</u>	<u>22,211</u>	<u>15,924</u>	<u>22,211</u>
Operating profit	55,702	85,009	55,702	85,009
Share of profit of jointly controlled entities	1,052	1,743	1,052	1,743
Profit before taxation	<u>56,754</u>	<u>86,752</u>	<u>56,754</u>	<u>86,752</u>
Taxation	<u>(6,124)</u>	<u>(8,679)</u>	<u>(6,124)</u>	<u>(8,679)</u>
Profit after taxation	<u>50,630</u>	<u>78,073</u>	<u>50,630</u>	<u>78,073</u>
Other comprehensive income:				
Fair value (loss)/gain on cash flow hedges	<u>(3,141)</u>	<u>3,218</u>	<u>(3,141)</u>	<u>3,218</u>
Total comprehensive income for the period	<u><u>47,489</u></u>	<u><u>81,291</u></u>	<u><u>47,489</u></u>	<u><u>81,291</u></u>
Profit attributable to:				
Equity holders of the Company	50,595	78,267	50,595	78,267
Non-controlling interests	<u>35</u>	<u>(194)</u>	<u>35</u>	<u>(194)</u>
	<u><u>50,630</u></u>	<u><u>78,073</u></u>	<u><u>50,630</u></u>	<u><u>78,073</u></u>
Total comprehensive income attributable to:				
Equity holders of the Company	47,454	81,485	47,454	81,485
Non-controlling interests	<u>35</u>	<u>(194)</u>	<u>35</u>	<u>(194)</u>
	<u><u>47,489</u></u>	<u><u>81,291</u></u>	<u><u>47,489</u></u>	<u><u>81,291</u></u>
Earnings per share attributable to equity holders of the Company:				
(i) Basic (sen)	3.2	4.9	3.2	4.9
(ii) Dilutive (sen)	3.2	4.9	3.2	4.9

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2012)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013

	AS AT END OF CURRENT QUARTER 31 MAR 2013 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31 DEC 2012 RM '000
Non-Current Assets		
<i>Property, Plant and Equipment</i>	1,453,178	1,441,037
<i>Prepaid Land Lease Payments</i>	251,259	253,513
<i>Investment in Jointly Controlled Entities</i>	35,343	34,291
<i>Goodwill</i>	62,783	62,783
<i>Deferred Tax Assets</i>	4,252	9,315
	<u>1,806,815</u>	<u>1,800,939</u>
Current Assets		
<i>Inventories</i>	12,198	11,622
<i>Trade & Other Receivables</i>	2,237,366	2,114,377
<i>Derivatives</i>	-	104
<i>Cash and Cash Equivalents</i>	650,131	890,288
	<u>2,899,695</u>	<u>3,016,391</u>
Current Liabilities		
<i>Trade & Other Payables</i>	2,127,080	2,281,659
<i>Derivatives</i>	3,914	272
<i>Provisions</i>	11,143	7,101
<i>Provision for Taxation</i>	5,986	17,400
	<u>2,148,123</u>	<u>2,306,432</u>
Net Current Assets	<u>751,572</u>	<u>709,959</u>
	<u>2,558,387</u>	<u>2,510,898</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>	(3,058)	83
<i>Retained Earnings</i>	938,331	887,736
	<u>2,553,536</u>	<u>2,506,082</u>
Non-controlling interests	<u>4,851</u>	<u>4,816</u>
Total equity	<u>2,558,387</u>	<u>2,510,898</u>
	<u>2,558,387</u>	<u>2,510,898</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2013

	CUMULATIVE	
	CURRENT YEAR TO DATE 31 MAR 2013 RM '000	PRECEDING YEAR TO DATE 31 MAR 2012 RM '000
Profit before taxation	56,754	86,752
Adjustments for:		
Property, plant and equipment		
- depreciation	15,398	11,031
- write off	60	6
Amortisation of land use rights	2,254	515
Provision for warranty	4,042	4,514
Reversal of impairment loss		
on trade receivables	(1,994)	-
Interest income	(6,002)	(14,789)
Change in fair value of hedging derivatives	605	738
Net unrealised foreign exchange loss/(gains)	1,893	(3,884)
Inventories written (back)/off	(36)	-
Share of profit of jointly controlled entities	(1,052)	(1,743)
Operating profit before working capital changes	<u>71,922</u>	<u>83,140</u>
Inventories	(540)	(789)
Trade and other receivables	(120,519)	(466,308)
Trade and other payables	<u>(167,020)</u>	<u>124,475</u>
Cash used in operations	(216,157)	(259,482)
Tax paid	(4,726)	(3,541)
Net Cash Flow used in Operating Activities	<u>(220,883)</u>	<u>(263,023)</u>
Purchase of property, plant and equipment	(25,276)	(44,163)
Interest received	6,002	20,339
Net Cash Flow used in Investing Activities	<u>(19,274)</u>	<u>(23,824)</u>
Net Cash Flow from Financing Activities	<u>-</u>	<u>-</u>
Net Change in Cash & Cash Equivalents	(240,157)	(286,847)
Cash & Cash Equivalents at the beginning of the year	890,288	2,085,585
Cash & Cash Equivalents at the end of the year	<u><u>650,131</u></u>	<u><u>1,798,738</u></u>

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2012)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2013.

<----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
3 MONTHS ENDED 31 MARCH 2013							
At 1 January 2013	800,000	818,263	887,736	83	2,506,082	4,816	2,510,898
Total comprehensive income	-	-	50,595	(3,141)	47,454	35	47,489
At 31 March 2013	800,000	818,263	938,331	(3,058)	2,553,536	4,851	2,558,387
3 MONTHS ENDED 31 MARCH 2012							
At 1 January 2012	800,000	818,263	805,728	(3,407)	2,420,584	3,628	2,424,212
Total comprehensive income	-	-	78,267	3,218	81,485	(194)	81,291
At 31 March 2012	800,000	818,263	883,995	(189)	2,502,069	3,434	2,505,503

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 20 May 2013.

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 2013 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 2012. 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 2012.

A3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the quarterly condensed report are consistent with those of the audited financial statement for the year ended 31 December 2012 except for the adoption of the new standards and interpretation which are mandatory for the annual financial period beginning on or after 1 July 2012 and 1 January 2013, noted below:

MFRS 3:	Business Combination
MFRS 10:	Consolidated Financial Statements
MFRS 11:	Joint Arrangements
MFRS 12:	Disclosure of Interests in Other Entities
MFRS 13:	Fair Value Measurement
MFRS 119:	Employee Benefits
MFRS 127:	Consolidated and Separate Financial Statements
MFRS 128:	Investment in Associates and Joint Ventures
Amendment to IC Interpretation 2:	Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009 -2011 Cycle)
Amendment to IC Interpretation 20:	Stripping Costs in the Production Phase of a Surface Mine
Amendment to MFRS 1:	First-time Adoption of Malaysian Financial Reporting Standard - Government Loans
Amendment to MFRS 1:	First-time Adoption of Malaysian Financial Reporting Standard - Annual Improvements 2009 -2011
Amendment to MFRS 10:	Consolidated Financial Statements: Transition Guidance
Amendment to MFRS 11:	Joint Arrangements: Transition Guidance
Amendment to MFRS 12:	Disclosure of Interests in Other Entities : Transition Guidance
Amendment to MFRS 101:	Presentation of Items of Other Comprehensive Income
Amendment to MFRS 116:	Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
Amendment to MFRS 132:	Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
Amendment to MFRS 134:	Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)

Adoption of the above standard and interpretations did not have any affect on the financial performance or position of the Group except for those discussed below:

(i) Amendment to MFRS 101 Presentation of Items of Other Comprehensive Income

The amendment to MFRS 101 Presentation of Items of Other Comprehensive Income change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified.

The adoption of this amendment affects presentation only and has no financial impact on the Group's financial statements.

A4. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2012 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 2013.

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 31 March 2013.

A9. DIVIDEND PAID

The 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:

REVENUE AND RESULT	Offshore RM '000	Marine RM '000	Others RM '000	Eliminations RM '000	Total RM '000
Revenue					
Total Revenue - External	866,564	55,262	-	-	921,826
Inter-Segment	-	6,569	15	(6,584) *	-
	<u>866,564</u>	<u>61,831</u>	<u>15</u>	<u>(6,584)</u>	<u>921,826</u>
Result					
Operating profit	<u>36,815</u>	<u>12,730</u>	<u>6,157</u> **	<u>-</u> *	55,702
Share of results of jointly controlled entities					1,052
Profit before taxation					<u>56,754</u>

* 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 statement.

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 2012.

A12. GOODWILL

	31 Mar 2013 RM'000	31 Dec 2012 RM'000
Cost	62,783	-
Acquisition of yard	-	62,783
Accumulated Amortisation and Impairment	-	-
Net Carrying Amount	<u>62,783</u>	<u>62,783</u>

Goodwill is tested for impairment on annual basis (31 December) or when circumstances indicate that the carrying value may be impaired. The Group's impairment test is a comparison of the goodwill's carrying value against its value-in-use (calculated using forecast on Earnings before Interest, Taxation, Depreciation and Amortisation ("EBITDA") based on approved financial budget covering a five-year period).

A13. SUBSEQUENT MATERIAL EVENT

There was no material event subsequent to the current financial quarter to 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 2013	31 Dec 2012
	RM '000	RM '000
<i>Unsecured</i>		
Bank guarantees extended to third parties	<u>206,317</u>	<u>206,594</u>

A16. CAPITAL COMMITMENTS

	31 Mar 2013	31 Dec 2012
	RM '000	RM '000
Approved and contracted for	3,403	170,366
Approved but not contracted for	<u>711,468</u>	<u>436,154</u>
	<u>714,871</u>	<u>606,520</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 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 RM3,914,000 in credit (31.12.2012: RM168,000 in credit) are measured at Level 2 hierarchy.

B1. REVIEW OF PERFORMANCE

	Individual Quarter Ended		Cumulative Period Ended	
	31 Mar 2013 RM '000	31 Mar 2012 RM '000	31 Mar 2013 RM '000	31 Mar 2012 RM '000
Revenue				
Offshore	866,564	564,547	866,564	564,547
Marine	61,831	103,928	61,831	103,928
Others	15	20	15	20
Eliminations/Adjustments	(6,584) ^{*^}	(3,228) ^{*^}	(6,584) ^{*^}	(3,228) [*]
	<u>921,826</u>	<u>665,267</u>	<u>921,826</u>	<u>665,267</u>
Operating Profit				
Offshore	36,815	68,057	36,815	68,057
Marine	12,730	7,985	12,730	7,985
Others	6,157	8,967	6,157	8,967
Eliminations/Adjustments	- [*]	- [*]	- [*]	- [*]
	<u>55,702</u>	<u>85,009</u>	<u>55,702</u>	<u>85,009</u>

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

^ Inter-segment revenue elimination

Marine	6,584	3,174	6,584	3,174
Others	-	54	-	54

Performance of current quarter against the corresponding quarter

The Group's operating profit is lower at RM55.7 million against RM85.0 million in the corresponding quarter. The variance is segmentally analysed as follows:

Offshore

Revenue for Offshore has improved due to the relatively higher progress of the existing projects and a considerable contribution from the progress of the TLP Malikai Deepwater ("Malikai") project during the quarter. During the period, the Group has successfully delivered OSX Turret project to SOFEC Inc. and Telok B Jacket project was loaded out for Exxon Mobil Exploration and Production Malaysia Inc.

However, this segment posted a comparatively lower operating profit for the quarter as profit has yet to be recognised for the Malikai project due to its early stage of completion. The Group is currently in negotiations with clients through claims of Change Orders for work done which will improve its future result of which the cost has been provided for in the quarter.

Marine

Marine registered a relatively lower revenue with lower number of vessels repaired at 29 against 31 units in corresponding quarter. Furthermore, the corresponding quarter revenue also includes the already completed Floating Storage Unit and Rigs projects amounting to RM62.4 million.

However, a higher operating profit is recorded in the current quarter as Marine managed to obtain better profit contribution from the vessels being repaired in comparison to corresponding quarter through better pricing and increased scope of work from ship-owners; and better productivity.

Group

The Group produced a lower profit before tax of RM56.8 million for the current quarter against RM86.8 million in the corresponding quarter. This was attributed by the Offshore segment as Change Orders for work done are yet to be finalised with clients and profit from the Malikai project has yet to be recognised due to its early stage of completion.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group's registered a slightly lower profit before taxation of RM56.8 million against the preceding quarter's performance of RM60.2 million.

B3. CURRENT YEAR PROSPECTS

The year 2013 is relatively a slow starter. Global oil price has declined but E&P project costs have remained persistently high. The industry has also seen major projects such as Woodside Petroleum's Browse onshore LNG and BP's Mad Dog Phase 2 being deferred and reassessed. As a result, while tender assessment and activities remained active, timely order intake may be challenging as compared to previous year. Greater competition from regional yards for international and selected domestic projects that the Group is bidding for, will create a more competitive environment for the Group, going forward.

The Group expect the Offshore business to perform within expectation and the Marine business to remain competitive, notwithstanding the challenging environment 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

	31 Mar 2013 RM '000	31 Mar 2012 RM '000
Taxation for the period comprises the following charge:		
Income tax charge		
- current period	292	6,819
- prior year	816	-
Deferred taxation	5,016	1,860
	<u>6,124</u>	<u>8,679</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

B6. STATUS OF CORPORATE PROPOSALS

The status of utilisation of proceeds raised from corporate proposals as at 20 May 2013 (being a date not earlier than 7 days from the date of issue of the quarterly report) is as follows:

Purpose	Proposed Utilisation RM '000	Revised Utilisation of Proceeds RM '000	Actual Utilisation To Date RM '000	Intended Timeframe for Utilisation	Deviation Amount RM '000
Yard Optimisation Programme	833,780	445,830	386,150	Within 48 months upon listing	-
Capital expenditure in Turkmenistan	110,000	110,000	-	Within 48 months upon listing	-
Acquisition of PG Yard from SDE	-	393,433	393,433	Immediate	-
Listing expenses	37,000	31,517	31,517	Within 3 months upon listing	-
Total	<u>980,780</u>	<u>980,780</u>	<u>811,100</u>		<u>-</u>

B7. GROUP BORROWINGS

There were no borrowings as at 31 March 2013.

B8. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments for the quarter ended 31 March 2013.

B9. CHANGES IN MATERIAL LITIGATION

There were no material litigation involving the Group as at 31 March 2013.

B10. DIVIDEND PROPOSED

The Board of Directors has recommended a final single tier dividend of 10 sen per share (31 December 2011: 10 sen) in respect of the financial year ended 31 December 2012 amounting to RM160.0 million (31 December 2011: RM160.0 million). The proposed dividend (if approved by the shareholders) will be paid on 2 July 2013 to shareholders registered at the close of business on 18 June 2013. A depositor shall qualify for entitlement to the dividend only in respect of:

- (i) share transferred into the depositor's securities account before 4.00 pm on 18 June 2013 in respect of ordinary transfers; and
- (ii) shares bought on the "BMSB" on cum entitlement basis according to the rules of "BMSB".

B11. 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 2013 are as follows:

	Contract/ Notional Amount as at 31 Mac 2013 (in RM '000)	Fair Value (in RM '000)
Forward foreign currency contracts	121,305	(3,914)

During the year, the Group has recognised a net loss of RM3,141,000 in its statement of comprehensive income mainly due to settlement of the forward foreign currency contracts in the current quarter and year, and a net unrealised loss of RM3,058,000 in its equity in relation to fair value of the spot component of the hedged instrument.

B12. EARNINGS PER SHARE

In respect of earnings per share :-

- i) The amount used as numerator for the calculation of basic earnings per share is RM50.6 million in credit for the first quarter ended 31 March 2013 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 first quarter ended 31 March 2013 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.

B13. REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group as at 31 March 2012 and 31 March 2011 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 2013 RM '000	31 Dec 2012 RM '000
Total retained profits of the Company and its subsidiaries:		
- Realised	784,168	741,865
- Unrealised	(10,756)	(30,657)
	<u>773,412</u>	<u>711,208</u>
Total share of retained profits from jointly controlled entities:		
- Realised	54,708	19,707
- Unrealised	(51)	1,212
	<u>828,069</u>	<u>732,127</u>
Add: Consolidation adjustments	110,262	155,609
Total Group retained profits as per consolidated accounts	<u>938,331</u>	<u>887,736</u>

All retained profits for the Company level are realised profits.

B14. PROFIT FOR THE PERIOD

	Individual Quarter Ended		Cumulative Period Ended	
	31 Mar 2013 RM '000	31 Mar 2012 RM '000	31 Mar 2013 RM '000	31 Mar 2012 RM '000
Profit for the year is arrived at after charging/(crediting):				
Property, plant and equipment				
- Depreciation and amortisation	15,398	11,031	15,398	11,031
- written off	60	-	60	-
Amortisation of land use right	2,254	515	2,254	515
(Reversal of)/Impairment loss of receivables	(1,994)	-	(1,994)	-
Change in fair value of hedging derivatives	605	738	605	738
Net foreign exchange loss/(gain)	1,893	(3,884)	1,893	(3,884)
(Reversal)/Provision for and write off of inventories	(36)	-	(36)	-
Interest income	(6,002)	(14,789)	(6,002)	(14,789)
Rental income	(107)	(107)	(107)	(107)