

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 30 June 2015
The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2015

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30 JUN 2015 RM '000	PRECEDING YEAR CORRESPONDING QUARTER 30 JUN 2014 RM '000	CURRENT YEAR TO DATE 30 JUN 2015 RM '000	PRECEDING YEAR TO DATE 30 JUN 2014 RM '000
Revenue	582,143	980,916	1,301,639	1,652,374
Other operating income	<u>21,509</u>	<u>5,888</u>	<u>35,508</u>	<u>21,006</u>
Operating profit	17,487	23,210	52,780	57,778
Share of profit/(loss) of joint ventures	85	2,485	(206)	2,004
Profit before taxation	<u>17,572</u>	<u>25,695</u>	<u>52,574</u>	<u>59,782</u>
Taxation	<u>623</u>	<u>14,328</u>	<u>1,519</u>	<u>14,786</u>
Profit after taxation	<u>18,195</u>	<u>40,023</u>	<u>54,093</u>	<u>74,568</u>
Other comprehensive income:				
Fair value (loss)/gain on cash flow hedges	<u>(351)</u>	<u>(1,559)</u>	<u>(1,048)</u>	<u>555</u>
Total comprehensive income for the period	<u>17,844</u>	<u>38,464</u>	<u>53,045</u>	<u>75,123</u>
Profit attributable to:				
Equity holders of the Company	18,026	39,731	54,054	74,362
Non-controlling interests	<u>169</u>	<u>292</u>	<u>39</u>	<u>206</u>
	<u>18,195</u>	<u>40,023</u>	<u>54,093</u>	<u>74,568</u>
Total comprehensive income attributable to:				
Equity holders of the Company	17,675	38,172	53,006	74,917
Non-controlling interests	<u>169</u>	<u>292</u>	<u>39</u>	<u>206</u>
	<u>17,844</u>	<u>38,464</u>	<u>53,045</u>	<u>75,123</u>
Earnings per share attributable to equity holders of the Company:				
(i) Basic (sen)	1.1	2.5	3.4	4.6
(ii) Dilutive (sen)	1.1	2.5	3.4	4.6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	AS AT END OF CURRENT QUARTER 30 JUN 2015 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31 DEC 2014 RM '000
Non-Current Assets		
<i>Property, Plant and Equipment</i>	1,640,554	1,607,347
<i>Prepaid Land Lease Payments</i>	234,088	237,635
<i>Investment in Joint Ventures</i>	16,879	17,085
<i>Goodwill</i>	62,783	62,783
<i>Deferred Tax Assets</i>	81,488	80,602
	<u>2,035,792</u>	<u>2,005,452</u>
Current Assets		
<i>Inventories</i>	11,918	11,721
<i>Trade & Other Receivables</i>	1,818,001	1,851,835
<i>Assets held for sale</i>	6,282	6,282
<i>Derivatives</i>	-	364
<i>Cash and Cash Equivalents</i>	714,555	589,228
	<u>2,550,756</u>	<u>2,459,430</u>
Current Liabilities		
<i>Trade & Other Payables</i>	1,856,154	1,525,625
<i>Derivatives</i>	554	118
<i>Provisions</i>	18,235	18,828
<i>Borrowings</i>	-	265,000
<i>Provision for Taxation</i>	22,438	19,189
	<u>1,897,381</u>	<u>1,828,760</u>
Net Current Assets	<u>653,375</u>	<u>630,670</u>
	<u><u>2,689,167</u></u>	<u><u>2,636,122</u></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>	(547)	501
<i>Retained Earnings</i>	1,068,193	1,014,139
	<u>2,685,909</u>	<u>2,632,903</u>
Non-controlling interests	3,258	3,219
Total equity	<u>2,689,167</u>	<u>2,636,122</u>
	<u><u>2,689,167</u></u>	<u><u>2,636,122</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2015

	CUMULATIVE	
	CURRENT YEAR TO DATE 30 JUN 2015 RM '000	PRECEDING YEAR TO DATE 30 JUN 2014 RM '000
Profit before taxation	52,574	59,782
Adjustments for:		
Property, plant and equipment		
- depreciation	36,132	31,880
- write off	476	29
Amortisation of land use rights	3,547	2,887
Net reversal for warranty	(593)	22,421
Net impairment loss on trade receivables	2,392	-
Interest income	(7,388)	(7,445)
Change in fair value of hedging derivatives	(248)	661
Net unrealised foreign exchange loss/(gain)	203	(5,738)
Finance cost	4,503	5,904
Share of loss/(gain) of joint ventures	206	(2,004)
Operating profit before working capital changes	91,804	108,377
Inventories	(197)	(966)
Trade and other receivables	31,892	(90,354)
Trade and other payables	337,214	189,238
Cash generated from operations	460,713	206,295
Tax paid	(5,670)	(2,140)
Refund from tax	2,214	5,447
Net Cash Flow generated from Operating Activities	457,257	209,602
Purchase of property, plant and equipment	(69,815)	(84,419)
Interest received	7,388	7,445
Net Cash Flow used in Investing Activities	(62,427)	(76,974)
Interest paid	(4,503)	(5,904)
Dividends paid on ordinary shares	-	(80,000)
Drawdown on revolving credit facilities	91,000	634,000
Repayment on revolving credit facilities	(356,000)	(566,000)
Net Cash Flow used in Financing Activities	(269,503)	(17,904)
Net Change in Cash & Cash Equivalents	125,327	114,724
Cash & Cash Equivalents at the beginning of the year	589,228	623,184
Cash & Cash Equivalents at the end of the period	714,555	737,908

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2015

	<----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
6 MONTHS ENDED 30 JUNE 2015							
At 1 January 2015	800,000	818,263	1,014,139	501	2,632,903	3,219	2,636,122
Total comprehensive income	-	-	54,054	(1,048)	53,006	39	53,045
At 30 June 2015	<u>800,000</u>	<u>818,263</u>	<u>1,068,193</u>	<u>(547)</u>	<u>2,685,909</u>	<u>3,258</u>	<u>2,689,167</u>
6 MONTHS ENDED 30 JUNE 2014							
At 1 January 2014	800,000	818,263	964,210	1,378	2,583,851	2,528	2,586,379
Total comprehensive income	-	-	74,362	555	74,917	206	75,123
Transaction with equity holders of the Company							
Dividend on ordinary shares	-	-	(80,000)	-	(80,000)	-	(80,000)
At 30 June 2014	<u>800,000</u>	<u>818,263</u>	<u>958,572</u>	<u>1,933</u>	<u>2,578,768</u>	<u>2,734</u>	<u>2,581,502</u>

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 27 July 2015.

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 30 June 2015 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 2014. 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 2014.

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 2015 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2014.

The Group intend to adopt the following standards, if applicable, when they become effective:

MFRS and amendments effective for annual period beginning on or after 1 January 2016:

Amendments to MFRS 5 Non-current Assets Held for Sale and Discontinued Operations
(Annual Improvements to MFRSs 2012 - 2014 Cycle)
Amendments to MFRS 7 Financial Instruments: Disclosures
(Annual Improvements to MFRSs 2012 - 2014 Cycle)
Amendments to MFRS 10 Consolidated Financial Statements - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 10 Consolidated Financial Statements - Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 12 Disclosures of Interest in Other Entities - Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 101 Presentation of Financial Statements - Disclosure Initiative
Amendments to MFRS 116 Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 Property, Plant and Equipment - Bearer Plants
Amendments to MFRS 119 Employee Benefits
(Annual Improvements to MFRSs 2012 - 2014 Cycle)
Amendments to MFRS 127 Consolidated and Separate Financial Statements - Equity Method in Separate Financial Statements
Amendments to MFRS 128 Investment in Associates - Sales or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 128 Investments in Associates - Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 134 Interim Financial Reporting
(Annual Improvements to MFRSs 2012 - 2014 Cycle)
Amendments to MFRS 138 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 141 Agriculture - Bearer Plants
MFRS 14 Regulatory Deferral Accounts

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

MFRS 15 Revenue from Contracts with Customers

MFRS and amendments effective for annual period beginning on or after 1 January 2018:

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 2014 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 30 June 2015.

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 30 June 2015.

A9. DIVIDEND PAID

There 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:

	Offshore RM '000	Marine RM '000	Others RM '000	Eliminations RM '000	Total RM '000
REVENUE AND RESULT					
Revenue					
Total Revenue - External	1,077,323	224,316	-	-	1,301,639
Inter-Segment	-	2,402	110	(2,512) *	-
	<u>1,077,323</u>	<u>226,718</u>	<u>110</u>	<u>(2,512)</u>	<u>1,301,639</u>
Result					
Operating profit	<u>7,899</u>	<u>34,391</u>	<u>22,853</u> **	<u>(12,363)</u> *	52,780
Share of results of joint ventures					(206)
Profit before taxation					<u>52,574</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 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 2014.

A12. GOODWILL

	30 Jun 2015 RM'000	31 Dec 2014 RM'000
Cost	<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 :-

	30 Jun 2015 RM '000	31 Dec 2014 RM '000
Unsecured		
Bank guarantees extended to: -		
- Related companies	146,821	147,886
- Third parties	197,888	146,573
	<u>344,709</u>	<u>294,459</u>

A16. CAPITAL COMMITMENTS

	30 Jun 2015 RM '000	31 Dec 2014 RM '000
Approved and contracted for	136,293	310,230
Approved but not contracted for	97,064	28,098
	<u>233,357</u>	<u>338,328</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 RM554,000 in credit (31.12.2014: RM246,000 in debit) are measured at Level 2 hierarchy.

B1. REVIEW OF PERFORMANCE

	Individual Quarter Ended		Cumulative Period Ended	
	30 Jun 2015 RM '000	30 Jun 2014 RM '000	30 Jun 2015 RM '000	30 Jun 2014 RM '000
Revenue				
Offshore	461,045	908,189	1,077,323	1,517,607
Marine	121,098	86,847	226,718	164,312
Others	47	66	110	75
Eliminations/Adjustments	(47)	(14,186)	(2,512)	(29,620) *A
	<u>582,143</u>	<u>980,916</u>	<u>1,301,639</u>	<u>1,652,374</u>
Operating Profit				
Offshore	6,456	15,490	7,899	37,845
Marine	19,435	8,760	34,391	16,537
Others	(2,285)	4,511	22,853	14,865
Eliminations/Adjustments	(6,119)	(5,551)	(12,363)	(11,469) *#
	<u>17,487</u>	<u>23,210</u>	<u>52,780</u>	<u>57,778</u>

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

^ Inter-segment revenue elimination

Marine	-	14,120	2,402	29,545
Others	47	66	110	75

Inter-segment operating profit elimination

Offshore	4,979	4,682	10,332	9,855
Marine	1,140	869	2,031	1,614

Performance of current quarter against the corresponding quarter

The Group's operating profit is lower at RM17.5 million against RM23.2 million in the corresponding quarter and segmentally analysed as follows:

Offshore

Offshore registered lower revenue and operating profit as most projects have been completed or sailed away. In addition, the newly secured projects are still at the early stage of its project life cycle. Additional provision for cost to complete was also made for Malikai TLP project, of which we are pursuing compensations and claims from the client to recover the cost incurred on the said project.

During the quarter, the Group has successfully loaded out SK316 Wellhead Topside to Petronas Carigali Sdn Bhd.

Marine

Marine's revenue and operating profit is higher against corresponding quarter mainly due to higher value of vessels repaired, especially from Rigs/Special Vessels, FSU and General Cargo categories.

Group

The Group registered a lower profit before tax of RM17.6 million against RM25.7 million in the corresponding quarter mainly due to lower contribution from Offshore segment.

Performance of current period against the corresponding period

The Group's operating profit is lower at RM52.8 million against RM57.8 million in the corresponding period and segmentally analysed as follows:

Offshore

Offshore registered lower revenue as most projects have been completed or sailed away. In addition, the newly secured projects are still at the early stage of its project life cycle. The present global downturn of oil prices has seen most of the potential projects award been deferred by the clients.

Additional provision for cost to complete for Malikai TLP project resulted in operational loss for Offshore. We are pursuing compensations and claims from the client to recover the cost incurred on the said project.

During the period, the Group has successfully loaded out SK316 Wellhead Topside and Jacket to Petronas Carigali Sdn Bhd.

Marine

Marine's revenue and operating profit is higher against corresponding period mainly due to higher value of vessels repaired, especially from Rigs/Special Vessels, FSU and General Cargo categories.

Group

The Group registered a lower profit before tax of RM52.6 million against RM59.8 million in the corresponding period, mainly due to lower contribution from Offshore segment.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group's registered lower profit before taxation of RM17.6 million against the preceding quarter's performance of RM35.0 million. The lower profit is in line to lower revenue registered in current quarter against preceding quarter.

B3. CURRENT YEAR PROSPECTS

Recovery in the crude oil prices and the oil and gas industry remain highly uncertain given a confluence of unfavourable developments. We have seen several project awards being deferred due to these uncertainties.

For the offshore business, the Company continue to enhance its cost saving initiatives to mitigate the impact of the current adverse cycle. The result so far, has been positive. Bidding activities is still brisk but awards, if any is only expected by end of the year.

The marine business will continue to perform better with steady work orders from new and repeat clients.

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

	30 Jun 2015 RM '000	30 Jun 2014 RM '000
Taxation for the period comprises the following charge:		
Income tax charge		
- current period	1,581	6,318
- prior year	(2,214)	(5,447)
Deferred taxation	(886)	(15,657)
	<u>(1,519)</u>	<u>(14,786)</u>

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

B6. GROUP BORROWINGS

The tenure of Group borrowings as at 30 June 2015 classified as short term as well as unsecured categories are as follows: -

	30 Jun 2015 RM '000	31 Dec 2014 RM '000
Short Term Borrowings		
Unsecured	<u>-</u>	<u>265,000</u>

B7. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments for the quarter ended 30 June 2015.

B8. CHANGES IN MATERIAL LITIGATION

There were no material litigation involving the Group as at 30 June 2015.

B9. DIVIDEND PROPOSED

No dividend has been proposed for the quarter ended 30 June 2015.

B10. 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 30 June 2015 are as follows:

	Contract/ Notional Amount as at 30 Jun 2015 (in RM '000)	Fair Value gain/(loss) (in RM '000)
Forward foreign currency contracts	15,375	(554)

During the period, the Group has recognised a net loss of RM1,048,000 in its statement of comprehensive income mainly due to settlement of the forward foreign currency contracts in the current year, and a net unrealised loss of RM547,000 in its equity in relation to fair value of the spot component of the hedged instrument.

B11. EARNINGS PER SHARE

In respect of earnings per share :-

- i) The amount used as numerator for the calculation of basic earnings per share is RM54.0 million in credit for the second quarter ended 30 June 2015 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 second quarter ended 30 June 2015 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.

B12. REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group as at 30 June 2015 and 31 December 2014 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.

	30 Jun 2015 RM '000	31 Dec 2014 RM '000
Total retained profits of the Company and its subsidiaries:		
- Realised	875,933	860,195
- Unrealised	52,479	17,018
	<u>928,412</u>	<u>877,213</u>
Total share of retained profits from joint ventures:		
- Realised	5,839	2,534
- Unrealised	58	179
	<u>934,309</u>	<u>879,926</u>
Add: Consolidation adjustments	133,884	134,213
Total Group retained profits as per consolidated accounts	<u><u>1,068,193</u></u>	<u><u>1,014,139</u></u>

All retained profits for the Company level are realised profits.

B13. PROFIT FOR THE PERIOD

	Individual Quarter Ended		Cumulative Period Ended	
	30 Jun 2015 RM '000	30 Jun 2014 RM '000	30 Jun 2015 RM '000	30 Jun 2014 RM '000
Profit for the period is arrived at				
after charging:				
Amortisation of land use rights	1,774	1,443	3,547	2,887
Net loss from scrap disposal	1,008	-	-	-
Change in fair value of hedging derivatives	-	-	-	661
Net unrealised foreign exchange loss	13,533	4,930	203	-
Finance costs	1,655	3,211	4,503	5,904
Property, plant and equipment				
- depreciation and amortisation	18,354	16,123	36,132	31,880
- written off	398	20	476	29
Net impairment loss on trade receivables	-	-	2,392	-
after (crediting):				
Net income from scrap disposal	-	(1,085)	(5,782)	(4,476)
Change in fair value of hedging derivatives	(294)	(277)	(248)	-
Net unrealised foreign exchange gain	-	-	-	(5,738)
Interest income	(3,623)	(3,448)	(7,388)	(7,445)
Rental income				
- land	(4)	(10)	(18)	(29)
- building	(156)	(256)	(418)	(576)
- equipments	(62)	(247)	(133)	(465)