



QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2014

NOTES (In compliance with FRS 134)

1. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with FRS 134, Interim Financial Reporting and Paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”). The interim financial report should be read in conjunction with the Company’s annual audited financial statements for the year ended 31 December 2013.

The accounting policies and methods of computation adopted by the Group in this report are consistent with those adopted in the annual audited financial statements for the year ended 31 December 2013.

Malaysian Financial Reporting Standards (MFRS) Framework

The Malaysian Accounting Standards Board (MASB) issued MFRS Framework on 19 November 2011.

The MFRS Framework is to be applied by all Entities other than Private Entities for financial year beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venture (herein called ‘Transitioning Entities’)

Transitioning Entities are allowed to defer adoption of the MFRS Framework for three years until 31 December 2014. Adoption of the MFRS Framework by Transitioning Entities will be mandatory for financial year beginning on or after 1 January 2015.

The Group falls within the scope definition of Transitioning Entities and has opted to defer adoption of the MFRS Framework until 31 December 2014. Accordingly, the Group will only be in compliance with the requirements of the MFRS Framework for the financial year ending 31 December 2015.

The change of the financial reporting framework is not expected to have any significant impact on the financial position and performance of the Group and the Company.



2. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report on the financial statements for the year ended 31 December 2013 was not subject to any qualification.

3. SEASONALITY OR CYCLICALITY OF OPERATIONS

The businesses of the Group are generally subject to cyclical changes of the general Malaysian economy.

4. EXCEPTIONAL OR EXTRAORDINARY ITEMS

There were no exceptional or extraordinary items for the current period.

5. CHANGES IN ESTIMATES

There were no changes in estimates of amount reported in previous financial year that have a material effect in the current quarter.

6. DEBTS AND EQUITY SECURITIES

The Company has bought back a total of 2,080,500 ordinary shares of RM0.20 each in the current quarter. As at 30 June 2014, 12,049,600 ordinary shares of RM0.20 each were still retained as treasury shares in the Company.

The Company issued 118,500 new ordinary shares of RM0.20 each under the Employees' Share Option Scheme ("ESOS") for the current quarter ended 30 June 2014. As at 30 June 2014, a total of 4,001,300 new ordinary shares of RM0.20 each have been issued under the ESOS.

7. DIVIDENDS PAID DURING THE PERIOD

The third interim single tier dividend of 15% (or 3.0 sen) per share amounting to RM16,285,586 in respect of the financial year ended 31 December 2013 based on 552,069,766 ordinary shares of RM0.20 each less treasury shares, was paid on 20 February 2014.

For the financial year ending 31 December 2014, the first interim single tier dividend of 15% (or 3.0 sen) per share amounting to RM16,253,936 based on 552,219,266 ordinary shares of RM0.20 each less treasury shares, was paid on 21 May 2014.



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8. SEGMENTAL INFORMATION

The segmental analysis for the Group is as follows:-

	6 MONTHS ENDED 30 JUN 14 RM'000	6 MONTHS ENDED 30 JUN 13 RM'000
REVENUE :		
Construction	575,575	698,402
Manufacturing	17,593	29,474
Trading	59,081	71,448
Property development	26,633	31,109
Power	4,126	-
	<u>683,008</u>	<u>830,433</u>
Elimination of inter segment sales	(37,605)	(20,446)
Total Revenue	<u>645,403</u>	<u>809,987</u>
RESULTS :		
Construction	38,448	105,603
Manufacturing	1,108	1,857
Trading	1,747	2,256
Property development	7,629	5,555
Power	1,814	-
	<u>50,746</u>	<u>115,271</u>
Interest income	4,531	2,872
Foreign exchange loss	(2,502)	496
Interest expense	(7,602)	-
Depreciation and amortization	(7,163)	(3,866)
ESOS expenses	(1,792)	(2,649)
Share of result of associates	2,458	948
	<u>38,676</u>	<u>113,072</u>
Income tax expenses	(10,126)	(7,483)
	<u>28,550</u>	<u>105,589</u>

9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The carrying amount of the property, plant and equipment is at cost less depreciation and impairment losses.



10. SUBSEQUENT EVENTS

There were no material events subsequent to the current quarter.

11. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current period.

12. CONTINGENT LIABILITIES

There were no contingent liabilities as at the end of the current quarter.

NOTES (Pursuant to paragraph 9.22 of the Listing Requirements of BMSB)

13. REVIEW OF PERFORMANCE

The Group achieved revenue of RM645.4 million and profit before tax (“PBT”) of RM38.7 million for the six months period ended 30 June 2014, as compared to RM810.0 million and RM113.1 million respectively for the previous corresponding period.

The changes in revenue and PBT were attributable to the following segments of the Group:-

Construction segment : The segment reported revenue and PBT of RM538.0 million and RM26.4 million in the six months period ended 30 June 2014 as compared to the previous corresponding period of RM678.0 million and RM103.4 million respectively. These were mainly due to the tapering-off in equipment components delivery of the Equipment Procurement contract for the 4 x 360MW coal-fired power plant at Chhattisgarh, India in the current period as compared to the previous corresponding period. In addition, the performance was also affected by the cost overrun and additional costs incurred due to acceleration of works for projects where the claims are still under negotiation with the clients, and general increase in construction material costs.

Manufacturing segment : The segment reported revenue and PBT of RM17.6 million and RM1.1 million for the six months period ended 30 June 2014 as compared to RM29.5 million and RM1.9 in the previous corresponding period. This was mainly due to lower volume of manufacturing activities in the current period.

Trading segment : The six months period ended 30 June 2014 reported a decrease in revenue and PBT to RM59.1 million and RM1.7 million respectively, as compared to RM71.4 million in revenue and RM2.3 million in PBT in the previous corresponding period. Revenue and PBT decreased due to lower trading activities generated from sale of construction materials.

Property development segment : This segment reported revenue of RM 26.6 million for the six months period ended 30 June 2014 as compared to revenue of RM31.1 million but PBT increased to RM7.6 million in the current period as compared to RM5.6 million in the previous corresponding period. The increase in PBT was mainly attributable to sales of higher profit margin properties.



Power segment : The segment reported revenue and PBT of RM4.1 million and RM1.8 million for the six months period ended 30 June 2014. There were no comparative results for the corresponding period as this segment only commenced commercial operations in the current period. These results were derived from the 10MW solar energy generating plant at Gebeng, Pahang.

14. COMPARISON WITH PRECEDING QUARTER'S REPORT

The Group achieved revenue of RM279.0 million and profit before tax (“PBT”) of RM6.9 million for the current quarter ended 30 June 2014, as compared to RM366.4 million and RM31.8 million respectively for the preceding quarter.

The changes in revenue and PBT were mainly attributable to the following segments of the Group:-

Construction segment : This segment reported revenue and PBT of RM225.6 and RM0.06 million for the current quarter as compared to the revenue of RM312.3 million and PBT of RM26.3 million for the preceding quarter respectively which was mainly due to the cost overrun and additional costs incurred due to acceleration of works for projects where the claims are still under negotiation with the clients, and general increase in construction material costs.

Manufacturing segment : This segment reported revenue of RM7.6 million and PBT of RM0.4 million in the current quarter as compared to the preceding quarter's revenue of RM10.0 million and PBT of RM0.7 million in the preceding quarter. This was mainly due to lower production level in the current quarter.

Trading segment : This segment reported revenue of RM28.1 million in the current quarter as compared to the preceding quarter's revenue of RM31.0 million but the PBT increased from RM0.6 million in the preceding quarter to RM1.1 million in the current quarter. This was mainly due to higher profit margin products sold in the current quarter.

Property development segment : This segment reported revenue and PBT of RM14.9 million and RM4.1 million respectively for the current quarter as compared to revenue of RM11.8 million and PBT of RM3.5 million in the preceding quarter. The higher profit was mainly attributable to higher sales in the current quarter.

Power segment : The segment reported revenue and PBT of RM2.8 million and RM1.2 million for the current quarter as compared to the preceding quarter's revenue of RM1.4 million and PBT of RM0.6 million in the preceding quarter. This was mainly due to the commercial commencement of an additional 5MW of production capacity to a total of 10MW solar energy generating plant at Gebeng, Pahang.

15. PROSPECTS

The construction sector in Malaysia looks promising in the coming years as there will be many mega-infrastructure projects to be launched by the Government and the private sector which include Mass Rapid Transit Line 2 & Line 3, power plants, highways, infrastructure projects and Private Financing Initiative projects. The Group is well-placed to benefit from some of these proposed projects.



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Other than the local projects, the Group is also evaluating various investment opportunities in the Asean region particularly in the conventional and renewable energy power sectors. The Group has completed the 40% acquisition of Amihan Energy Corporation, a company involved in a wind energy project in the Philippines and is currently in the process of acquiring a 2 x 7MW coal-fired power project in Indonesia which is expected to complete by the end of this year. The Group is also bidding for a few coal-fired power plant projects in the region. With the above ventures, the Group is expected to secure the Equipment Procurement contracts for the projects.

It is the Group's strategy to continue building up its assets that are generating recurring income whilst construction and property development will remain the important revenue sources for the Group. The financial performance of the Group for 2014 is expected to be weaker due to deferment of some major local projects which the Group is currently pursuing.

16. VARIANCE ON PROFIT FORECAST

Not applicable.

17. INCOME TAX EXPENSE

	CURRENT QUARTER ENDED 30 JUN 2014 RM'000	6 MONTHS ENDED 30 JUN 2014 RM'000
Current income tax:		
- Malaysian income tax	<u>3,987</u>	<u>10,126</u>

The Group's effective tax rate of 26% for the period to date is slightly higher than the Malaysian statutory tax rate of 25% mainly due to non-tax deductible expenses.

18. STATUS OF CORPORATE PROPOSALS

- (a) Mudajaya Power International Sdn. Bhd. ("MPI"), a wholly-owned subsidiary of Mudajaya Corporation Berhad ("MCB"), which in turn is a wholly-owned subsidiary of the Company, had on 26 October 2013 entered into a Share Purchase Agreement ("SPA") with Windelsey Inc to acquire 4,000 shares of capital stock of Php100.00 each in Amihan Energy Corporation ("AEC"), for a cash consideration of Php26,400,000.00 (approximately RM1.9 million) ("the Acquisition").

The acquisition was completed on 23 July 2014.



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- (b) On 2 May 2014, MCB entered into a Memorandum of Agreement ("MOA") with PT Indomuda Satria Internusa ("PT ISI") and PT Harmoni Energy Indonesia ("PT HEI") to acquire 70% equity interest in PT HEI. PT HEI is the special purpose vehicle involved in the development of 2x7MW coal-fired power plant in Desa Baruta Analalaki, Sulawesi, Indonesia.

Subsequent to the above, Mudajaya Power International Sdn Bhd ("Purchaser"), a wholly-owned subsidiary of MCB had on 22 July 2014 entered into a Conditional Sale and Purchase of Shares Agreement with PT Indomuda Satria Internusa ("the Seller") to acquire 70% equity shares in PT Harmoni Energy Indonesia for a total consideration of USD5.8 million.

The acquisition is subject to the conditions precedent in the Conditional Sale and Purchase of Shares Agreement and is expected to be completed by the end of October 2014.

19. GROUP BORROWING

Details of the Group's borrowings as at 30 June 2014 are as follows:

	RM'000
(a) Long Term Borrowings	
- Medium Term Notes	360,000
- Term Loan	53,053
	<u>413,053</u>
(b) Short Term Borrowings	
- Term Loan	<u>3,032</u>

20. CHANGES IN MATERIAL LITIGATION

The Group does not have any material litigation as at the date of this report save as disclosed below:

- (a) Crest Worldwide Resources Sdn Bhd ("CWR") v Mudajaya Corporation Berhad ("MCB")

CWR has disputed the signed Sale & Purchase Agreements relating to the contra properties for an amount owing to MCB pertaining to "The Construction of 1 Block 44 – Storey Service Apartment (278 units), 1 Block 26-Storey Office Tower With 5-Storey Podium and 3 Level of Basement Car Park on Lot 134, Off Jalan Sultan Ismail, Kuala Lumpur".

Our legal counsel is of the opinion that MCB has a strong case to defend the claim. MCB has filed a counter claim on CWR and also for specific performance of the Sale & Purchase Agreements.



21. DIVIDEND

On 25 February 2014, the Board of Directors declared a first interim single tier dividend of 15% (or 3.0 sen) per share of RM0.20 each in respect of financial year ending 31 December 2014. The dividend book closure and payment dates were on 25 April 2014 and 21 May 2014 respectively.

On 12 June 2014, the Board of Directors declared a second interim single tier dividend of 15% (or 3.0 sen) per share of RM0.20 each in respect of financial year ending 31 December 2014. The dividend book closure date was on 8 August 2014 and payment date will be on 5 September 2014.

As at todate, total interim single tier dividend declared for the financial year ending 31 December 2014 is equivalent to 30% (or 6.0 sen) per share of RM0.20 each.

22. BASIC EARNINGS PER SHARE

The ‘Basic Earnings Per Share’ and ‘Diluted Earnings Per Share’ for the current period and the comparative period are calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the ‘Weighted Average’ and ‘Adjusted Weighted Average’ number of ordinary shares in issue during the period respectively, excluding treasury shares held by the Company.

	CURRENT QUARTER ENDED 30 JUN 2014 RM’000	6 MONTHS ENDED 30 JUN 2014 RM’000
<u>Basic Earnings per share:-</u>		
(a) Profit for the period attributable to owners of the Company (RM’000)	3,346	28,401
(b) Weighted average number of ordinary shares (‘000)	541,155	541,155
Basic Earnings per share (sen)	0.62	5.25
<u>Diluted Earnings per share:-</u>		
(a) Profit for the period attributable to owners of the Company (RM’000)	3,346	28,401
(b) Weighted average number of ordinary shares (‘000)	541,155	541,155
Effect of dilution - ESOS (‘000)	15,772	15,772
Adjusted weighted average number of ordinary shares in issue and issuable (‘000)	556,927	556,927
Diluted Earnings per share (sen)	0.60	5.10



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23. REALISED AND UNREALISED PROFITS/LOSSES DISCLOSURE

The breakdown of the retained profits of the Group as at 30 June 2014 into realised and unrealised profits is presented as follow:-

	AS AT 30 JUN 2014 RM'000
Total retained profits of the Group:-	
- Realised	1,187,119
- Unrealised	(2,484)
Share of result of associate:-	
- Realised	(3,161)
Less: Consolidated adjustments	<u>(267,686)</u>
Retained profits as per consolidated financial statements	<u>913,788</u>

BY ORDER OF THE BOARD

CHAI MIN HON (MIA 11926)
Company Secretary

Petaling Jaya
26 August 2014