

MUHIBBAH ENGINEERING (M) BHD
(Company No : 12737-K)
(Incorporated in Malaysia)

ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 30 JUNE 2013 (2ND QUARTER)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 30.6.2013 RM'000	AUDITED AS AT 31.12.2012 RM'000
Assets		
Property, plant and equipment	707,248	718,477
Investment in associates	188,368	171,331
Goodwill and other intangible assets	-	-
Other non-current assets	20,293	18,360
Total non-current assets	915,909	908,168
Receivables, deposits and prepayments	706,434	917,718
Amount due from contract customers	410,692	456,683
Inventories	222,721	208,595
Current tax assets	4,209	4,837
Derivative assets	-	1,186
Cash and cash equivalents	353,525	336,743
Total current assets	1,697,581	1,925,762
Total assets	2,613,490	2,833,930
Equity		
Share capital	205,255	204,124
Reserves	296,668	249,931
Total equity attributable to owners of the Company	501,923	454,055
Non-controlling interests	174,606	166,353
Total equity	676,529	620,408
Liabilities		
Payables and accruals	14,494	14,017
Loans and borrowings	145,850	154,404
Deferred tax liabilities	47,451	46,006
Total non-current liabilities	207,795	214,427
Provision, payables and accruals	487,662	607,746
Amount due to contract customers	485,962	416,920
Bills payables	612,350	686,843
Derivative liabilities	8,849	73
Loans and borrowings	127,847	272,360
Tax liabilities	6,496	15,153
Total current liabilities	1,729,166	1,999,095
Total liabilities	1,936,961	2,213,522
Total equity and liabilities	2,613,490	2,833,930
Net assets per share attributable to owners of the Company (RM)	1.23	1.12

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements)

MUHIBBAH ENGINEERING (M) BHD

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**ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 30 JUNE 2013 (2ND QUARTER)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
		30.6.2013 RM'000	30.6.2012 RM'000	30.6.2013 RM'000	30.6.2012 RM'000
Revenue		406,602	625,336	792,811	1,044,539
Cost of sales and operating expenses		(385,378)	(605,283)	(755,378)	(1,009,989)
Other income		5,849	6,543	9,473	10,351
Results from operating activities		27,073	26,596	46,906	44,901
Interest income (including MFRS 139)		761	1,026	2,696	2,018
Finance costs (including MFRS 139)		(7,300)	(6,710)	(12,135)	(11,760)
Operating profit		20,534	20,912	37,467	35,159
Share of profit after tax and minority interest of equity accounted associates		9,966	7,914	22,960	18,364
Profit before tax		30,500	28,826	60,427	53,523
Tax expense	19.	(4,517)	(2,075)	(12,164)	(5,659)
Profit for the period		25,983	26,751	48,263	47,864
Other comprehensive income					
Foreign currency translation differences for foreign operations		1,815	2,217	2,734	(758)
Other comprehensive income for the period		1,815	2,217	2,734	(758)
Total comprehensive income for the period		27,798	28,968	50,997	47,106
Profit attributable to:					
Owners of the Company		20,731	17,057	40,532	33,583
Non-controlling interests		5,252	9,694	7,731	14,281
Profit for the period		25,983	26,751	48,263	47,864
Total comprehensive income attributable to:					
Owners of the Company		23,192	20,292	43,513	33,622
Non-controlling interests		4,606	8,676	7,484	13,484
Total comprehensive income for the period		27,798	28,968	50,997	47,106
Earnings per ordinary share					
Basic (Sen)	24.	5.09	4.20	9.96	8.26
Diluted (Sen)	24.	4.93	4.04	9.65	7.96

(The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements)

MUhibbah Engineering (M) Bhd

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2013 (2ND QUARTER)**

	Attributable to shareholders of the Company				Retained earnings RM'000	Total equity attributable to owners of the Company RM'000	Non- controlling interests RM'000	Total equity RM'000
	Non-distributable		Distributable					
	Share capital RM'000	Treasury shares RM'000	Reserves attributable to capital RM'000	Reserve attributable to revenue RM'000				
At 1 January 2012								
As previously stated	204,107	(5,561)	130,392	2,074	184,381	515,393	124,583	639,976
Rectification of brought forward share option forfeited	-	-	(604)	-	604	-	-	-
Effect of adopting MFRS	-	-	-	1,266	(1,266)	-	-	-
At 1 January 2012, restated	204,107	(5,561)	129,788	3,340	183,719	515,393	124,583	639,976
Foreign currency translation differences for foreign operations	-	-	-	39	-	39	(797)	(758)
Profit for the period	-	-	-	-	33,583	33,583	14,281	47,864
Total comprehensive income for the period	-	-	-	39	33,583	33,622	13,484	47,106
Share-based payments	-	-	4,139	-	-	4,139	420	4,559
At 30 June 2012	<u>204,107</u>	<u>(5,561)</u>	<u>133,927</u>	<u>3,379</u>	<u>217,302</u>	<u>553,154</u>	<u>138,487</u>	<u>691,641</u>
At 1 January 2013	204,124	(5,561)	192,135	(1,464)	64,821	454,055	166,353	620,408
Foreign currency translation differences for foreign operations	-	-	-	2,981	-	2,981	(247)	2,734
Profit for the period	-	-	-	-	40,532	40,532	7,731	48,263
Total comprehensive income for the period	-	-	-	2,981	40,532	43,513	7,484	50,997
Share options exercised	1,131	-	860	-	-	1,991	359	2,350
Share-based payments	-	-	2,602	-	-	2,602	172	2,774
Dilution of interest in subsidiary	-	-	-	-	(238)	(238)	238	-
At 30 June 2013	<u>205,255</u>	<u>(5,561)</u>	<u>195,597</u>	<u>1,517</u>	<u>105,115</u>	<u>501,923</u>	<u>174,606</u>	<u>676,529</u>

(The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements)

MUHIBBAH ENGINEERING (M) BHD
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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013 (2ND QUARTER)

	Unaudited YTD 30.6.2013 RM'000	Unaudited YTD 30.6.2012 RM'000
Profit before tax	60,427	53,523
Adjustment for:		
Depreciation and amortisation	26,762	24,407
Fair value adjustment on derivative instruments	9,962	10,053
Finance costs	22,939	25,420
Finance costs under MFRS 139	-	39
(Gain)/ loss on disposal of property, plant and equipments	(221)	(1,399)
Net Impairment loss on receivables	(301)	(1,226)
Interest income	(2,674)	(1,989)
Interest income under MFRS 139	(22)	(29)
Property, plant and equipment written off	2,523	197
Net provision for warranties	2,673	1,848
Share based payment	2,774	4,559
Share of profit of associates	(22,960)	(18,364)
Write-down of inventories	-	-
Operating profit before changes in working capital	101,882	97,039
Receivables, deposits and prepayments	211,910	(46,253)
Inventories	(14,126)	6,808
Payables and accruals	(122,002)	(101,594)
Amount due to/ (from) contract customers	115,033	146,709
Cash generated from/ (used in) operations	292,697	102,709
Net income taxes paid	(18,855)	(9,122)
Net cash generated from/(used in) operating activities	273,842	93,587
Cash flows from investing activities		
Additions to development expenditures	(2,082)	-
Dividend received from associates	8,400	4,200
Investment in associates	-	(2,447)
Interest received	2,674	1,989
Proceed from disposal of property, plant and equipment	3,415	7,118
Purchase of property, plant and equipment	(16,308)	(43,658)
Net cash used in investing activities	(3,901)	(32,798)
Cash flows from financing activities		
Interest paid	(22,939)	(25,420)
Proceed from exercise of share options	1,991	-
Proceed from issuance of shares to non-controlling interests in subsidiary	359	-
Net drawdown/ (repayment) of loans and borrowings	(219,312)	(24,321)
Net cash generated from financing activities	(239,901)	(49,741)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013 (2ND QUARTER)**

(cont'd)

	Unaudited YTD 30.6.2013 RM'000	Unaudited YTD 30.6.2012 RM'000
Currency translation differences	(5,010)	(1,984)
Net increase in cash and cash equivalents	25,030	9,064
Cash and cash equivalents at 1 January	320,285	315,834
Cash and cash equivalents at 30 June	345,315	324,898

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	30.6.2013 RM'000	30.6.2012 RM'000
Cash and bank balances	227,641	153,061
Deposits placed with licensed banks	125,884	184,690
Cash and cash equivalents per balance sheet	353,525	337,751
Bank overdrafts	(8,210)	(12,853)
	345,315	324,898

(The Condensed Consolidated Cash Flow statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012 and the accompanying notes attached to the interim financial statements)

MUHIBBAH ENGINEERING (M) BHD
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ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2013 (1ST QUARTER)

1. BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad ("Listing Requirements"), including compliance with Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting, issued by the Malaysian Accounting Standards Board ("MASB").

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2012. These explanatory notes attached to the 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.

2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2012 except for the adoption of the following MFRSs, Amendments to certain MFRSs and IC Interpretations ("IC Int.") issued by the MASB which are effective for annual periods beginning on or after 1 July 2012 or 1 January 2013:

		<u>Effective Date</u>
• MFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities	1 January 2013
• MFRS 10	Consolidated Financial Statements	1 January 2013
• MFRS 11	Joint Arrangements	1 January 2013
• MFRS 12	Disclosure of Interest in Other Entities	1 January 2013
• MFRS 13	Fair Value Measurement	1 January 2013
• MFRS 119	Employee Benefits (revised)	1 January 2013
• MFRS 127	Separate Financial Statements	1 January 2013
• MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
• Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
• Amendments to MFRS 116	Property, Plant and Equipment	1 January 2013
• Amendments to MFRS 132	Financial Instrument: Presentation	1 January 2013
• Amendments to MFRS 134	Interim Financial Reporting	1 January 2013
• IC Int. 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

The Group has not adopted the following MFRSs, Amendments to MFRSs were in issued but not yet effective:

		<u>Effective Date</u>
• MFRS 9	Financial Instruments	1 January 2015
• Amendments to MFRS 10	Consolidated Financial Statements: Investment Entities	1 January 2014
• Amendments to MFRS 12	Disclosure of Interests in Other Entities: Investment Entities	1 January 2014
• Amendments to MFRS 127	Separate Financial Statements (2011): Investment Entities	1 January 2014
• Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014

The initial application of a standard which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

3. QUALIFICATION OF PRECEDING YEAR'S AUDITED FINANCIAL STATEMENTS

The Auditors' Report of the financial statements for the preceding financial year ended 31 December 2012 was not subject to any qualification.

4. SEASONALITY OR CYCLICALITY OF OPERATIONS

The business operations of the Group were not significantly affected by any seasonal or cyclical factor.

5. EXCEPTIONAL OR UNUSUAL ITEMS

There were no exceptional or unusual items affecting financial statements of the Group for the current quarter under review other than as disclosed.

6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in prior interim periods and prior financial years that have a material effect in the current quarter under review.

7. DEBT AND EQUITY SECURITIES

During the period ended 30 June 2013, a total of 2,262,000 new ordinary shares of RM0.50 each was issued pursuant to the exercise of the Employees' Share Option Scheme.

Other than as mentioned above, there were no cancellation, repurchase, resale and repayment of debts and equity securities during the period under review.

8. DIVIDEND PAYMENT

There is no dividend payment made during the quarter under review.

9. SEGMENT REVENUE AND RESULTS

Financial data by business segment for the Group:

	Period ended 30.6.2013	
	Revenue RM'000	Profit/(Loss) before tax RM'000
Infrastructure construction	565,587	19,483
Cranes	329,342	29,483
Marine ship repair and ship building	111,681	18,676
Concession	-	18,647
	<hr/>	<hr/>
	1,006,610	86,289
Less: Group eliminations	(213,799)	(25,862)
	<hr/>	<hr/>
	<u>792,811</u>	<u>60,427</u>

10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There were no changes to the valuation of property, plant & equipment brought forward from the previous annual financial statements.

11. MATERIAL SUBSEQUENT EVENTS

There is no material subsequent event from the end of the period to 22 August 2013.

12. MATERIAL CHANGES IN THE GROUP'S COMPOSITION

There were no major changes in the composition of the Group during the current quarter under review.

13. CONTINGENT LIABILITIES/ASSETS

Since the last annual balance sheet as at 31 December 2012, there were no material changes in the contingent liabilities of the Company:

Corporate guarantees for credit facilities granted to subsidiary companies	RM'000
	<u>166,865</u>

14. CAPITAL COMMITMENTS

There were no material capital commitments as at 30 June 2013 and up to 22 August 2013.

15. COMPARISON WITH PRECEDING QUARTER RESULTS (Q2 2013 vs. Q1 2013)

The Group recorded revenue of RM406.6 million and profit before tax of RM30.5 million for the quarter ended 30 June 2013 which is similar to revenue and profit before tax of RM386.2 million and RM29.9 million respectively in the preceding quarter ended 30 March 2013.

16. REVIEW OF GROUP PERFORMANCE (YTD Q2 2013 vs. YTD Q2 2012)

The Group recorded revenue of RM792.8 million with profit before tax of RM60.4 million for the 6 months period ended 30 June 2013 as compared to revenue of RM1,044.5 million with profit before tax of RM53.5 million in the preceding period ended 30 June 2012.

The construction, shipyard and concession divisions achieved better results than first half last year. The crane division's net profit after tax is relatively lower for the corresponding period mainly due to expiry of pioneer status tax exemption incentive in mid 2012.

17. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 22 August 2013, the total outstanding secured order book in hand of the Group is RM2.02 billion with orders up to year 2016, comprises of RM1.05 billion from Infrastructure Construction Division, RM832 million from Cranes Division and RM136 million from Shipyard Division.

b) Current Year Prospect

With the award by Petronas for the license for "Offshore Facilities Const-Major Onshore Fabrication" in June 2013, the Group has received invitation to participate for upcoming oil and gas projects. This is expected to have a positive contribution to the Muhibbah Group for the current and future financial years.

18. PROFIT FORECAST

The Group has not issued any profit forecast or profit guarantee during the current quarter under review.

19. OPERATING PROFIT

	Current Quarter 30.6.2013 RM'000	Cumulative Qtr To date 30.6.2013 RM'000
Operating profit is arrived at after (crediting)/charging the following:		
Depreciation and amortisation	13,272	26,762
Finance costs		
-Income statement	7,300	12,135
-contract cost	5,201	10,804
	<u>12,501</u>	<u>22,939</u>
Interest income	(750)	(2,674)
Interest income under MFRS 139	(11)	(22)
(Gain)/loss on derivatives/ foreign exchange	(2,102)	(4,287)
(Gain)/loss on disposal of property, plant and equipment	159	(221)

20. TAXATION

	Current Quarter 30.6.2013 RM'000	Cumulative Qtr To date 30.6.2013 RM'000
Corporate tax expense		
Malaysia - current	(4,687)	(11,464)
Overseas - current	(81)	(429)
	(4,768)	(11,893)
Deferred tax expense		
Malaysia - current	251	(271)
Overseas - current	-	-
	251	(271)
Total tax expense	(4,517)	(12,164)

The Group's effective tax rate for the current period is lower than statutory tax rate mainly due to over provision for capital gain tax in prior year.

21. CORPORATE PROPOSALS

There is no outstanding corporate proposal during the quarter under review.

22. GROUP BORROWINGS AND DEBT SECURITIES

	Foreign Currency		RM'000
	Currency	Amount	
a) Short term borrowings			
Secured	RM	11,592	11,592
	Sub- total		11,592
Unsecured	RM	114,104	114,104
	SGD	852	2,136
	Sub- total		116,240
b) Hire purchase and finance lease	RM	15	15
	Sub- total		15
Total Short Term Borrowings			127,847
a) Long term borrowings			
Secured	RM	52,837	52,837
	Sub-total		52,837
Unsecured	RM	92,992	92,992
	Sub-total		92,992
b) Hire purchase and finance lease	RM	21	21
	Sub-total		21
Total Long Term Borrowings			145,850
Total borrowings			273,697

23. MATERIAL LITIGATION

The ongoing material litigation of the Group as at 22 August 2013 are as follow:

i. QSA Marine Logistics Pte Ltd ("QSA") v MEB

The third party claim by the owner of the said barge against the Company in the High Court of Malaya at Shah Alam has been dismissed by court on 25 March 2013. The Arbitration proceedings against the Company commenced by QSA in Singapore has come to an end, as QSA and the Company have agreed to settle the matter amicably.

ii. Muhibbah-LTAT JV v Government of Malaysia

The Arbitration proceedings commenced by Muhibbah-LTAT JV (of which the Company holds a 51% interest) against the Government of Malaysia vide the Ministry of Defence ("GOM") for claims outstanding from the Naval Base Project at Sepangar Bay, Sabah is expected to be heard in second half of the year.

iii. Supreme Court of the State of New York

The Suits against the Company, its subsidiary Favelle Favco Berhad ("FFB") and FFB's subsidiary Favelle Favco Cranes (USA) Inc ("FFU"), commenced by persons/companies in New York vide suits instituted in the Supreme Court of the State of New York, as previously reported remain ongoing.

iv. Supreme Court of the State of New York, Country of New York

The Suits against Favelle Favco Cranes (USA) Inc ("FFU"), commenced by Mr. Robert Pararella ("the Plaintiff") in the Supreme Court of the State of New York, as previously reported remain ongoing.

v. Muhibbah Engineering (M) Bhd ("Muhibbah") v ZAQ Construction Sdn Bhd ("ZAQ")

The Suit commenced by the Company against ZAQ in the High Court of Malaya at Kuala Lumpur, as previously reported remains ongoing.

vi. UEM Group Bhd v Muhibbah Engineering (M) Bhd ("Muhibbah" or "Company")

As previously reported, the Company's dispute of the Claim and challenge to the Request by UEM via the notification from the Secretariat of the ICC International Court of Arbitration-Asia Office, remains ongoing.

24. EARNINGS PER SHARE ("EPS")

a) Basic EPS

	Basic EPS		Diluted EPS	
	Current	Cumulative	Current	Cumulative
	30.6.2013		30.6.2013	
Net profit attributable to the owners of the Company (RM'000)	20,731	40,532	20,731	40,532
Weighted average number of ordinary shares in issue ('000)	407,457	406,964	407,457	406,964
Effect of dilution:				
Share options ('000)	-	-	9,078	9,078
Warrants ('000)	-	-	3,975	3,975
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	407,457	406,964	420,510	420,017
EPS (Sen)	5.09	9.96	4.93	9.65

25. REALISED AND UNREALISED PROFITS/LOSSES

	As at 30.6.2013 RM'000	As at 31.12.2012 RM'000
Total retained profits/ (accumulated losses) of Muhibbah Engineering (M) Bhd and its subsidiaries:		
- Realised	141,579	112,489
- Unrealised	(62,708)	(51,889)
	78,871	60,600
Total retained profits/ (accumulated losses) from associated companies:		
- Realised	119,817	105,407
- Unrealised	66	(84)
	119,883	105,323
Less: Consolidation adjustments	(93,639)	(101,102)
Total Group retained profits	105,115	64,821

26. COMPARATIVE FIGURES

Comparative figures, where applicable, have been modified to conform with the current quarter presentation.

27. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 August 2013.

By order of the Board of Directors
Company Secretary
Date : 30 August 2013