

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

ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2014 (1ST QUARTER)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 31.03.2014 RM'000	AUDITED AS AT 31.12.2013 RM'000
Assets		
Property, plant and equipment	701,585	710,676
Investment in associates	204,557	190,301
Other non-current assets	30,044	29,612
Total non-current assets	936,186	930,589
Receivables, deposits and prepayments	557,663	664,230
Amount due from contract customers	461,630	412,335
Inventories	219,714	206,565
Current tax assets and other assets	14,156	10,143
Cash and cash equivalents	298,176	426,307
Total current assets	1,551,339	1,719,580
Total assets	2,487,525	2,650,169
Equity		
Share capital	211,919	211,214
Reserves	370,511	351,442
Total equity attributable to owners of the Company	582,430	562,656
Non-controlling interests	197,211	194,456
Total equity	779,641	757,112
Liabilities		
Payables and accruals	14,117	14,232
Loans and borrowings	133,019	137,296
Deferred tax liabilities	47,364	47,489
Total non-current liabilities	194,500	199,017
Provision, payables and accruals	457,171	539,707
Amount due to contract customers	380,561	408,161
Bills payables	503,421	616,600
Loans and borrowings	159,370	120,913
Tax liabilities and other liabilities	12,861	8,659
Total current liabilities	1,513,384	1,694,040
Total liabilities	1,707,884	1,893,057
Total equity and liabilities	2,487,525	2,650,169
Net assets per share attributable to owners of the Company (RM)	1.38	1.34

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements)

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**ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2014 (1ST QUARTER)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
		31.03.2014 RM'000	31.03.2013 RM'000	31.03.2014 RM'000	31.03.2013 RM'000
Revenue		393,948	386,209	393,948	386,209
Cost of sales and operating expenses		(378,934)	(367,523)	(378,934)	(367,523)
Other income		936	1,147	936	1,147
Results from operating activities		15,950	19,833	15,950	19,833
Interest income (including MFRS 139)		1,634	1,935	1,634	1,935
Finance costs (including MFRS 139)		(2,006)	(4,835)	(2,006)	(4,835)
Operating profit		15,578	16,933	15,578	16,933
Share of profit after tax and minority interest of equity accounted associates		15,365	12,994	15,365	12,994
Profit before tax		30,943	29,927	30,943	29,927
Tax expense	20.	(8,650)	(7,647)	(8,650)	(7,647)
Profit for the period		22,293	22,280	22,293	22,280
Other comprehensive income					
Foreign currency translation differences for foreign operations		(1,546)	919	(1,546)	919
Other comprehensive income for the period		(1,546)	919	(1,546)	919
Total comprehensive income for the period		20,747	23,199	20,747	23,199
Profit attributable to:					
Owners of the Company		20,163	19,801	20,163	19,801
Non-controlling interests		2,130	2,479	2,130	2,479
Profit for the period		22,293	22,280	22,293	22,280
Total comprehensive income attributable to:					
Owners of the Company		18,220	20,321	18,220	20,321
Non-controlling interests		2,527	2,878	2,527	2,878
Total comprehensive income for the period		20,747	23,199	20,747	23,199
Earnings per ordinary share					
Basic (Sen)	24.	4.79	4.87	4.79	4.87
Diluted (Sen)	24.	4.41	4.84	4.41	4.84

(The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 31 MARCH 2014 (1ST 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 2013	204,124	(5,561)	192,135	(1,464)	64,821	454,055	166,353	620,408
Foreign currency translation differences for foreign operations	-	-	-	520	-	520	399	919
Profit for the period	-	-	-	-	19,801	19,801	2,479	22,280
Total comprehensive income for the period	-	-	-	520	19,801	20,321	2,878	23,199
Share option exercised	2	-	1	-	-	3	126	129
Share-based payments	-	-	1,301	-	-	1,301	86	1,387
Dilution of interest in subsidiary	-	-	-	-	(83)	(83)	83	-
At 31 March 2013	<u>204,126</u>	<u>(5,561)</u>	<u>193,437</u>	<u>(944)</u>	<u>84,539</u>	<u>475,597</u>	<u>169,526</u>	<u>645,123</u>
At 1 January 2014	211,214	(5,561)	202,432	12,145	142,426	562,656	194,456	757,112
Foreign currency translation differences for foreign operations	-	-	-	(1,943)	-	(1,943)	397	(1,546)
Profit for the period	-	-	-	-	20,163	20,163	2,130	22,293
Total comprehensive income for the period	-	-	-	(1,943)	20,163	18,220	2,527	20,747
Share options exercised	705	-	536	-	-	1,241	110	1,351
Share-based payments	-	-	372	-	-	372	59	431
Dilution of interest in subsidiary	-	-	-	-	(59)	(59)	59	-
At 31 March 2014	<u>211,919</u>	<u>(5,561)</u>	<u>203,340</u>	<u>10,202</u>	<u>162,530</u>	<u>582,430</u>	<u>197,211</u>	<u>779,641</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 2013 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 31 MARCH 2014 (1ST QUARTER)

	Unaudited YTD 31.03.2014 RM'000	Unaudited YTD 31.03.2013 RM'000
Profit before tax	30,943	29,927
Adjustment for:		
Depreciation and amortisation	12,569	13,490
Fair value adjustment on derivative instruments	(6,159)	(447)
Finance costs	3,936	10,438
Finance costs under MFRS 139	7	-
(Gain)/ loss on disposal of property, plant and equipments	(582)	(380)
Net Impairment loss on receivables	(1,514)	(47)
Interest income	(1,616)	(1,924)
Interest income under MFRS 139	(18)	(11)
Property, plant and equipment written off	25	173
Net provision for warranties	(170)	790
Share based payment	431	1,387
Share of profit of associates	(15,365)	(12,994)
Operating profit before changes in working capital	22,487	40,402
Receivables, deposits and prepayments	108,287	210,398
Inventories	(13,149)	(1,289)
Payables and accruals	(82,561)	(114,568)
Amount due to/ (from) contract customers	(76,895)	31,018
Cash generated from/ (used in) operations	(41,831)	165,961
Net income taxes paid	(2,529)	(3,768)
Net cash generated from/(used in) operating activities	(44,360)	162,193
Cash flows from investing activities		
Additions to development expenditures	(879)	-
Dividend received from associates	-	8,400
Interest received	1,616	1,924
Proceed from disposal of property, plant and equipment	2,458	2,198
Purchase of property, plant and equipment	(6,114)	(7,025)
Net cash used in investing activities	(2,919)	5,497
Cash flows from financing activities		
Interest paid	(3,936)	(10,438)
Proceed from exercise of share options	1,241	3
Proceed from issuance of shares to non-controlling interests of a subsidiary	110	126
Net drawdown/ (repayment) of loans and borrowings	(81,298)	(152,563)
Net cash generated from financing activities	(83,883)	(162,872)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2014 (1ST QUARTER)**

(cont'd)

	Unaudited YTD 31.03.2014 RM'000	Unaudited YTD 31.03.2013 RM'000
Currency translation differences	732	(372)
Net increase in cash and cash equivalents	(130,430)	4,446
Cash and cash equivalents at 1 January	421,647	320,285
Cash and cash equivalents at 31 March	291,217	324,731

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

	31.03.2014 RM'000	31.03.2013 RM'000
Cash and bank balances	189,978	238,937
Deposits placed with licensed banks	108,198	92,074
Cash and cash equivalents per balance sheet	298,176	331,011
Bank overdrafts	(6,959)	(6,280)
	291,217	324,731

(The Condensed Consolidated Cash Flow statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2013 and the accompanying notes attached to the interim financial statements)

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ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2014 (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 2013. 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 2013.

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 2013 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 January 2014:

<u>MFRSs and IC Interpretations</u> <u>(Including the Consequential Amendments)</u>	<u>Effective Date</u>
• Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities	1 January 2014
• Amendment to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
• Amendment to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
• Amendment to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
• IC Interpretation 21 Levies	1 January 2014

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group and the Company's financial statements.

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:

MFRSs and IC Interpretations

(Including the Consequential Amendments)

Effective Date

• MFRS 9 (2009) Financial Instruments	To be announced by MASB
• MFRS 9 (2010) Financial Instruments	To be announced by MASB
• MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 7, MFRS 9 and MFRS 139)	To be announced by MASB
• Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures	To be announced by MASB
• Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions	1 July 2014
• Annual Improvements to MFRSs 2010 – 2012 Cycle	1 July 2014
• Annual Improvements to MFRSs 2011 – 2013 Cycle	1 July 2014

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application, other than MFRS 9 Financial Instruments. The Group will assess the financial implications of MFRS 9 Financial Instruments when the full standard is issued.

3. QUALIFICATION OF PRECEDING YEAR'S AUDITED FINANCIAL STATEMENTS

The Auditors' Report of the financial statements for the preceding financial year ended 31 December 2013 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.

6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of amounts that have a material effect in the current quarter under review.

7. DEBT AND EQUITY SECURITIES

During the financial period ended 31 March 2014, a total of 1,410,000 new ordinary shares 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 31.03.2014	
	Revenue RM'000	Profit/(Loss) before tax RM'000
Infrastructure construction	277,933	10,498
Cranes	156,087	17,057
Marine ship repair and ship building	47,344	5,914
Concession	-	14,216
	<hr/>	<hr/>
	481,364	47,685
Less: Group eliminations	(87,416)	(16,742)
	<hr/>	<hr/>
	<u>393,948</u>	<u>30,943</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 current quarter to 22 May 2014, which is likely to substantially affect the results of the operations of the Company.

12. MATERIAL CHANGES IN THE GROUP'S COMPOSITION

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

13. CONTINGENT LIABILITIES/ASSETS

Since the last annual balance sheet as at 31 December 2013, there were no material changes in the contingent liabilities of the Company:

Corporate guarantees for credit facilities granted to subsidiary companies	RM'000 <u>163,759</u>
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14. CAPITAL COMMITMENTS

There were no material capital commitments as at 31 March 2014 and up to 22 May 2014.

15. COMPARISON WITH PRECEDING QUARTER RESULTS (Q1 2014 vs. Q4 2013)

The Group generated revenue of RM393.9 million and profit before tax of RM30.9 million for the quarter ended 31 March 2014 as compared to revenue and profit before tax of RM668.2 million and RM45.0 million respectively in the preceding quarter ended 31 December 2013.

This variation is mainly due to higher revenue generated by cranes and shipyard divisions with the delivery of more cranes and vessels during the fourth quarter of the year 2013.

16. REVIEW OF GROUP PERFORMANCE (YTD Q1 2014 vs. YTD Q1 2013)

For the current quarter ended 31 March 2014, the Group recorded revenue of RM393.9 million with profit after tax of RM22.3 million which is similar to revenue of RM386.2 million with profit after tax of RM22.3 million in the corresponding quarter ended 31 March 2013.

17. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 22 May 2014, the total outstanding secured order book in hand of the Group is RM1.86 billion with orders up to year 2016, comprises of RM704 million from Infrastructure Construction Division, RM1.11 billion from Cranes Division and RM45 million from Shipyard Division.

b) Current Year Prospect

On 3 April 2014, PETRONAS approved the Final Investment Decision for Refinery and Petrochemical Integrated Development ("RAPID") project. The RAPID project is estimated to have an investment of RM89 billion. With the track records as niche contractor in the global oil and gas construction industry, the Group has reasonable confidence to participate in some of the related oil and gas construction works under RAPID as well as offshore oil and gas projects.

18. PROFIT FORECAST

The Group has not issued any profit forecast to the relevant authorities and is not subject to any profit guarantee.

19. OPERATING PROFIT

	Current Quarter 31.03.2014 RM'000	Cumulative Qtr To date 31.03.2014 RM'000
Operating profit is arrived at after (crediting)/charging the following:		
Depreciation and amortisation	12,569	12,569
Finance costs		
-Income statement	1,999	1,999
-contract cost	1,937	1,937
	<u>3,936</u>	<u>3,936</u>
Finance costs under MFRS 139	7	7
Interest income	(1,616)	(1,616)
Interest income under MFRS 139	(18)	(18)
(Gain)/loss on derivatives/ foreign exchange	(1,727)	(1,727)
(Gain)/loss on disposal of property, plant and equipment	(582)	(582)

20. TAXATION

	Current Quarter 31.03.2014 RM'000	Cumulative Qtr To date 31.03.2014 RM'000
Corporate tax expense		
Malaysia - current	(8,612)	(8,612)
Overseas - current	(121)	(121)
	(8,733)	(8,733)
Deferred tax expense		
Malaysia - current	83	83
Overseas - current	-	-
	83	83
Total tax expense	(8,650)	(8,650)

The Group's effective tax rate for the current period is slightly higher than statutory tax rate mainly due to no tax loss set off available for operational units among different countries.

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
	AUD	835	2,525
	Sub- total		14,117
Unsecured	RM	144,979	144,979
	SGD	100	259
	Sub- total		145,238
b) Hire purchase and finance lease	RM	15	15
	Sub- total		15
Total Short Term Borrowings			159,370
a) Long term borrowings			
Secured	RM	44,142	44,142
	Sub-total		44,142
Unsecured	RM	88,867	88,867
	Sub-total		88,867
b) Hire purchase and finance lease	RM	10	10
	Sub-total		10
Total Long Term Borrowings			133,019
Total borrowings			292,389

23. MATERIAL LITIGATION

The ongoing material litigation of the Group as at 22 May 2014 are as follow:

i. Muhibbah-LTAT JV's claim on Sepangar Bay Project.

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 completed Sepangar Naval Base Project, Sabah is fixed for continued hearing in August 2014. Any recovery of such claims will be positive to the earnings of the company.

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

ZAQ has since been wound up. MEB's proof of debt has been admitted by the Official Receiver. The Company has since withdrawn its suit against ZAQ, with liberty to file afresh. The Company has made full provision in the prior years for the amount receivable from the APH project and any recovery of debts will be positive to the Company.

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.

24. EARNINGS PER SHARE ("EPS")

a) Basic EPS

	Basic EPS		Diluted EPS	
	Current	Cumulative	Current	Cumulative
	31.03.2014		31.03.2014	
Net profit attributable to the owners of the Company (RM'000)	20,163	20,163	20,163	20,163
Weighted average number of ordinary shares in issue ('000)	421,179	421,179	421,179	421,179
Effect of dilution:				
Share options ('000)	-	-	13,766	13,766
Warrants ('000)	-	-	22,117	22,117
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	421,179	421,179	457,062	457,062
EPS (Sen)	4.79	4.79	4.41	4.41

25. REALISED AND UNREALISED PROFITS/LOSSES

	As at 31.03.2014 RM'000	As at 31.12.2013 RM'000
Total retained profits/ (accumulated losses) of Muhibbah Engineering (M) Bhd and its subsidiaries:		
- Realised	200,726	186,032
- Unrealised	(64,055)	(54,260)
	136,671	131,772
Total retained profits/ (accumulated losses) from associated companies:		
- Realised	128,155	112,790
- Unrealised	(516)	(516)
	127,639	112,274
Less: Consolidation adjustments	(101,780)	(101,620)
Total Group retained profits	162,530	142,426

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 May 2014.

By order of the Board of Directors
Company Secretary
Date : 29 May 2014