

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 2014 (2ND QUARTER)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 30.06.2014 RM'000	AUDITED AS AT 31.12.2013 RM'000
Assets		
Property, plant and equipment	698,175	710,676
Investment in associates	208,943	190,301
Other non-current assets	29,375	29,612
Total non-current assets	936,493	930,589
Receivables, deposits and prepayments	600,694	664,230
Amount due from contract customers	556,588	412,335
Inventories	239,354	206,565
Current tax assets and other assets	25,024	10,143
Cash and cash equivalents	250,045	426,307
Total current assets	1,671,705	1,719,580
Total assets	2,608,198	2,650,169
Equity		
Share capital	212,275	211,214
Reserves	386,762	351,442
Total equity attributable to owners of the Company	599,037	562,656
Non-controlling interests	205,372	194,456
Total equity	804,409	757,112
Liabilities		
Payables and accruals	13,927	14,232
Loans and borrowings	128,741	137,296
Deferred tax liabilities	47,514	47,489
Total non-current liabilities	190,182	199,017
Provision, payables and accruals	489,363	539,707
Amount due to contract customers	353,746	408,161
Bills payables	592,837	616,600
Loans and borrowings	153,230	120,913
Tax liabilities and other liabilities	24,431	8,659
Total current liabilities	1,613,607	1,694,040
Total liabilities	1,803,789	1,893,057
Total equity and liabilities	2,608,198	2,650,169
Net assets per share attributable to owners of the Company (RM)	1.42	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 30 JUNE 2014 (2ND QUARTER)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
		30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Revenue		466,144	406,602	860,092	792,811
Cost of sales and operating expenses		(429,416)	(379,797)	(808,350)	(747,320)
Other income		325	268	1,261	1,415
Results from operating activities		37,053	27,073	53,003	46,906
Interest income (including MFRS 139)		1,276	761	2,910	2,696
Finance costs (including MFRS 139)		(4,392)	(7,300)	(6,398)	(12,135)
Operating profit		33,937	20,534	49,515	37,467
Share of profit after tax and minority interest of equity accounted associates		10,666	9,966	26,031	22,960
Profit before tax		44,603	30,500	75,546	60,427
Tax expense	20.	(14,481)	(4,517)	(23,131)	(12,164)
Profit for the period		30,122	25,983	52,415	48,263
Other comprehensive income					
Foreign currency translation differences for foreign operations		(4,639)	1,815	(6,185)	2,734
Other comprehensive income for the period		(4,639)	1,815	(6,185)	2,734
Total comprehensive income for the period		25,483	27,798	46,230	50,997
Profit attributable to:					
Owners of the Company		20,927	20,731	41,090	40,532
Non-controlling interests		9,195	5,252	11,325	7,731
Profit for the period		30,122	25,983	52,415	48,263
Total comprehensive income attributable to:					
Owners of the Company		16,765	23,192	34,985	43,513
Non-controlling interests		8,718	4,606	11,245	7,484
Total comprehensive income for the period		25,483	27,798	46,230	50,997
Earnings per ordinary share					
Basic (Sen)	24.	4.95	5.09	9.74	9.96
Diluted (Sen)	24.	4.56	4.93	8.96	9.65

(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 30 JUNE 2014 (2ND QUARTER)**

	Attributable to shareholders of the Company						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	Retained earnings RM'000	Total equity attributable to owners of the Company 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	-	-	-	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 option 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>
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	-	-	-	(6,105)	-	(6,105)	(80)	(6,185)
Profit for the period	-	-	-	-	41,090	41,090	11,325	52,415
Total comprehensive income for the period	-	-	-	(6,105)	41,090	34,985	11,245	46,230
Share options exercised	1,061	-	808	-	-	1,869	207	2,076
Share-based payments	-	-	744	-	-	744	118	862
Acquisition of non-controlling interest	-	-	-	-	-	-	(3,253)	(3,253)
Issued of shares to non-controlling interest	-	-	-	-	-	-	1,382	1,382
Dilution of interest in subsidiary	-	-	-	-	(1,217)	(1,217)	1,217	-
At 30 June 2014	<u>212,275</u>	<u>(5,561)</u>	<u>203,984</u>	<u>6,040</u>	<u>182,299</u>	<u>599,037</u>	<u>205,372</u>	<u>804,409</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 30 JUNE 2014 (2ND QUARTER)

	Unaudited YTD 30.06.2014 RM'000	Unaudited YTD 30.06.2013 RM'000
Profit before tax	75,546	60,427
Adjustment for:		
Depreciation and amortisation	26,568	26,762
Fair value adjustment on derivative instruments	(13,777)	9,962
Finance costs	13,655	22,939
Finance costs under MFRS 139	7	-
(Gain)/ loss on disposal of property, plant and equipments	(562)	(221)
Net Impairment loss on receivables	(2,246)	(301)
Interest income	(2,875)	(2,674)
Interest income under MFRS 139	(35)	(22)
Property, plant and equipment written off	51	2,523
Net provision for warranties	75	2,673
Share based payment	862	2,774
Share of profit of associates	(26,031)	(22,960)
Operating profit before changes in working capital	71,238	101,882
Receivables, deposits and prepayments	66,229	211,910
Inventories	(33,349)	(14,126)
Payables and accruals	(50,673)	(122,002)
Amount due to/ (from) contract customers	(198,668)	115,033
Cash generated from/ (used in) operations	(145,223)	292,697
Net income taxes paid	(8,551)	(18,855)
Net cash generated from/(used in) operating activities	(153,774)	273,842
Cash flows from investing activities		
Additions to development expenditures	(1,449)	(2,082)
Acquisition of non-controlling interest	(3,253)	-
Dividend received from associates	4,200	8,400
Interest received	2,875	2,674
Proceed from disposal of property, plant and equipment	3,412	3,415
Purchase of property, plant and equipment	(18,367)	(16,308)
Net cash used in investing activities	(12,582)	(3,901)
Cash flows from financing activities		
Interest paid	(13,655)	(22,939)
Proceed from exercise of share options	1,869	1,991
Proceed from issuance of shares to non-controlling interests of a subsidiary	1,589	359
Net drawdown/ (repayment) of loans and borrowings	(7,197)	(219,312)
Net cash generated from financing activities	(17,394)	(239,901)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2014 (2ND QUARTER)
(cont'd)**

	Unaudited YTD 30.06.2014 RM'000	Unaudited YTD 30.06.2013 RM'000
Currency translation differences	292	(5,010)
Net increase in cash and cash equivalents	(183,458)	25,030
Cash and cash equivalents at 1 January	421,647	320,285
Cash and cash equivalents at 30 June	238,189	345,315

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

	30.06.2014 RM'000	30.06.2013 RM'000
Cash and bank balances	179,940	227,641
Deposits placed with licensed banks	70,105	125,884
Cash and cash equivalents per balance sheet	250,045	353,525
Bank overdrafts	(11,856)	(8,210)
	238,189	345,315

(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 30 JUNE 2014 (2ND 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:

MFRSs and IC Interpretations

(Including the Consequential Amendments)

Effective Date

É Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities	1 January 2014
É Amendment to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
É Amendment to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
É Amendment to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
É 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

É MFRS 9 (2009) Financial Instruments	To be announced by MASB
É MFRS 9 (2010) Financial Instruments	To be announced by MASB
É MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 7, MFRS 9 and MFRS 139)	To be announced by MASB
É Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures	To be announced by MASB
É Amendments to MFRS 119: Defined Benefit Plans ó Employee Contributions	1 July 2014
É Annual Improvements to MFRSs 2010 ó 2012 Cycle	1 July 2014
É Annual Improvements to MFRSs 2011 ó 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 6 months financial period ended 30 June 2014, a total of 2,123,000 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 30.06.2014	
	Revenue RM'000	Profit/(Loss) before tax RM'000
Infrastructure construction	503,164	19,514
Cranes	404,850	53,274
Marine ship repair and ship building	132,187	22,121
Concession	-	23,209
	<hr/>	<hr/>
	1,040,201	118,118
Less: Group eliminations	(180,109)	(42,572)
	<hr/>	<hr/>
	<u>860,092</u>	<u>75,546</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 21 August 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>113,789</u>
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14. CAPITAL COMMITMENTS

There were no material capital commitments as at 30 June 2014 and up to 21 August 2014.

15. COMPARISON WITH PRECEDING QUARTER RESULTS (Q2 2014 vs. Q1 2014)

The Group generated higher revenue of RM466.1 million and higher profit before tax of RM44.6 million for the quarter ended 30 June 2014 as compared to revenue and profit before tax of RM393.9 million and RM30.9 million respectively in the preceding quarter ended 31 March 2014.

The improvement in revenue and profit before tax is mainly contributed by cranes and shipyard divisions. The cranes division has achieved all time high order book for its offshore pedestal cranes from international oil and gas industry.

16. REVIEW OF GROUP PERFORMANCE (YTD Q2 2014 vs. YTD Q2 2013)

The Group recorded revenue of RM860.1 million with profit before tax of RM75.5 million for the 6 months period ended 30 June 2014 as compared to revenue of RM792.8 million with profit before tax of RM60.4 million in the preceding period ended 30 June 2013.

The cranes, shipyard and concession divisions have all achieved better results than first half last year. The Cambodia Airport concession continues to see airport passengers growth.

17. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 21 August 2014, the total outstanding secured order book in hand of the Group is RM1.68 billion.

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. Since then PETRONAS has started awarding relevant packages for infrastructure and refinery plant packages. Muhibbah Group with its experience and track records in the oil and gas sector is hopeful to secure some of the related oil and gas engineering and construction works from RAPID.

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 30.06.2014 RM'000	Cumulative Qtr To date 30.06.2014 RM'000
Operating profit is arrived at after (crediting)/charging the following:		
Depreciation and amortisation	13,999	26,568
Finance costs		
-Income statement	4,392	6,391
-contract cost	5,327	7,264
	<u>9,719</u>	<u>13,655</u>
Finance costs under MFRS 139	-	7
Interest income	(1,259)	(2,875)
Interest income under MFRS 139	(17)	(35)
(Gain)/loss on derivatives/ foreign exchange	(7,530)	(9,257)
(Gain)/loss on disposal of property, plant and equipment	20	(562)

20. TAXATION

	Current Quarter 30.06.2014 RM'000	Cumulative Qtr To date 30.06.2014 RM'000
Corporate tax expense		
Malaysia - current	(13,251)	(21,863)
Overseas - current	(998)	(1,119)
	(14,249)	(22,982)
Deferred tax expense		
Malaysia - current	(232)	(149)
Overseas - current	-	-
	(232)	(149)
Total tax expense	(14,481)	(23,131)

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	209	632
	Sub- total		12,224
Unsecured	RM	131,263	131,263
	DKK	6,781	3,986
	USD	929	2,984
	SGD	1,073	2,758
	Sub- total		140,991
b) Hire purchase and finance lease	RM	15	15
	Sub- total		15
Total Short Term Borrowings			153,230
a) Long term borrowings			
Secured	RM	41,244	41,244
	Sub-total		41,244
Unsecured	RM	87,491	87,491
	Sub-total		87,491
b) Hire purchase and finance lease	RM	6	6
	Sub-total		6
Total Long Term Borrowings			128,741
Total borrowings			281,971

23. MATERIAL LITIGATION

The ongoing material litigation of the Group as at 21 August 2014 are as follow:

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

The Arbitration proceedings commenced by Muhibbah-LTAT JV for claims outstanding from the completed Sepangar Naval Base Project, Sabah is continuing. Any recovery of such claims will be positive to the earnings of the company.

ii. Supreme Court of the State of New York

The Suits against the Company, its subsidiary Favelle Favco Berhad (øFFBö) and FFBø's subsidiary Favelle Favco Cranes (USA) Inc (øFFUö), 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.

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

The Suits against Favelle Favco Cranes (USA) Inc (øFFUö), 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 30.06.2014	Cumulative 30.06.2014	Current 30.06.2014	Cumulative 30.06.2014
Net profit attributable to the owners of the Company (RM'000)	20,927	41,090	20,927	41,090
Weighted average number of ordinary shares in issue ('000)	422,563	421,875	422,563	421,875
Effect of dilution:				
Share options ('000)	-	-	13,700	13,700
Warrants ('000)	-	-	23,106	23,106
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	422,563	421,875	459,369	458,681
EPS (Sen)	4.95	9.74	4.56	8.96

25. REALISED AND UNREALISED PROFITS/LOSSES

	As at 30.06.2014 RM'000	As at 31.12.2013 RM'000
Total retained profits/ (accumulated losses) of Muhibbah Engineering (M) Bhd and its subsidiaries:		
- Realised	222,965	186,032
- Unrealised	(63,851)	(54,260)
	159,114	131,772
Total retained profits/ (accumulated losses) from associated companies:		
- Realised	134,620	112,790
- Unrealised	(515)	(516)
	134,105	112,274
Less: Consolidation adjustments	(110,920)	(101,620)
Total Group retained profits	182,299	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 28 August 2014.

By order of the Board of Directors
Company Secretary
Date : 28 August 2014