

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

ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 30 SEPTEMBER 2014 (3RD QUARTER)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 30.09.2014 RM'000	AUDITED AS AT 31.12.2013 RM'000
Assets		
Property, plant and equipment	717,808	710,676
Investment in associates	218,751	190,301
Other non-current assets	30,052	29,612
Total non-current assets	966,611	930,589
Receivables, deposits and prepayments	611,704	664,230
Amount due from contract customers	635,298	412,335
Inventories	251,779	206,565
Current tax assets and other assets	21,547	10,143
Cash and cash equivalents	263,152	426,307
Total current assets	1,783,480	1,719,580
Total assets	2,750,091	2,650,169
Equity		
Share capital	212,981	211,214
Reserves	389,335	351,442
Total equity attributable to owners of the Company	602,316	562,656
Non-controlling interests	203,461	194,456
Total equity	805,777	757,112
Liabilities		
Payables and accruals	14,161	14,232
Loans and borrowings	74,455	137,296
Deferred tax liabilities	47,743	47,489
Total non-current liabilities	136,359	199,017
Provision, payables and accruals	544,104	539,707
Amount due to contract customers	374,142	408,161
Bills payables	568,870	616,600
Loans and borrowings	295,956	120,913
Tax liabilities and other liabilities	24,883	8,659
Total current liabilities	1,807,955	1,694,040
Total liabilities	1,944,314	1,893,057
Total equity and liabilities	2,750,091	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 SEPTEMBER 2014 (3RD QUARTER)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
		30.09.2014 RM'000	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2013 RM'000
Revenue		376,100	475,439	1,236,192	1,268,250
Cost of sales and operating expenses		(350,954)	(460,003)	(1,159,304)	(1,207,323)
Other income		375	503	1,636	1,918
Results from operating activities		25,521	15,939	78,524	62,845
Interest income (including MFRS 139)		2,804	1,875	5,714	4,571
Finance costs (including MFRS 139)		(5,642)	(2,543)	(12,040)	(14,678)
Operating profit		22,683	15,271	72,198	52,738
Share of profit after tax and minority interest of equity accounted associates		5,246	11,846	31,277	34,806
Profit before tax		27,929	27,117	103,475	87,544
Tax expense	20.	(338)	2,108	(23,469)	(10,056)
Profit for the period		27,591	29,225	80,006	77,488
Other comprehensive income					
Foreign currency translation differences for foreign operations		(1,163)	8,067	(7,348)	10,801
Other comprehensive income for the period		(1,163)	8,067	(7,348)	10,801
Total comprehensive income for the period		26,428	37,292	72,658	88,289
Profit attributable to:					
Owners of the Company		20,270	20,106	61,360	60,638
Non-controlling interests		7,321	9,119	18,646	16,850
Profit for the period		27,591	29,225	80,006	77,488
Total comprehensive income attributable to:					
Owners of the Company		21,480	26,664	56,465	70,177
Non-controlling interests		4,948	10,628	16,193	18,112
Total comprehensive income for the period		26,428	37,292	72,658	88,289
Earnings per ordinary share					
Basic (Sen)	24.	4.78	4.86	14.52	14.82
Diluted (Sen)	24.	4.40	4.60	13.36	14.00

(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 SEPTEMBER 2014 (3RD 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	-	-	-	9,539	-	9,539	1,262	10,801
Profit for the period	-	-	-	-	60,638	60,638	16,850	77,488
Total comprehensive income for the period	-	-	-	9,539	60,638	70,177	18,112	88,289
Share option exercised	4,416	-	3,356	-	-	7,772	1,571	9,343
Share-based payments	-	-	3,902	-	-	3,902	261	4,163
Issued of shares to non-controlling interest	-	-	-	-	-	-	493	493
Dilution of interest in subsidiary	-	-	-	-	(851)	(851)	851	-
Dividends to owner of the Company	-	-	-	-	(7,774)	(7,774)	-	(7,774)
Dividends to non-controlling interest	-	-	-	-	-	-	(7,909)	(7,909)
At 30 September 2013	208,540	(5,561)	199,393	8,075	116,834	527,281	179,732	707,013
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	-	-	-	(4,895)	-	(4,895)	(2,453)	(7,348)
Profit for the period	-	-	-	-	61,360	61,360	18,646	80,006
Total comprehensive income for the period	-	-	-	(4,895)	61,360	56,465	16,193	72,658
Share options exercised	1,767	-	1,344	-	-	3,111	1,085	4,196
Share-based payments	-	-	1,116	-	-	1,116	179	1,295
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	-	-	-	-	(1,945)	(1,945)	1,945	-
Dividends to owner of the Company	-	-	-	-	(19,087)	(19,087)	-	(19,087)
Dividends to non-controlling interest	-	-	-	-	-	-	(8,526)	(8,526)
At 30 September 2014	212,981	(5,561)	204,892	7,250	182,754	602,316	203,461	805,777

(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 SEPTEMBER 2014 (3RD QUARTER)

	Unaudited YTD 30.09.2014 RM'000	Unaudited YTD 30.09.2013 RM'000
Profit before tax	103,475	87,544
Adjustment for:		
Depreciation and amortisation	41,275	40,787
Fair value adjustment on derivative instruments	(2,074)	3,666
Finance costs	24,519	30,285
Finance costs under MFRS 139	19	2
(Gain)/ loss on disposal of property, plant and equipments	(155)	(442)
Net Impairment loss on receivables	(2,775)	(10,826)
Interest income	(3,792)	(4,535)
Interest income under MFRS 139	(1,922)	(36)
Property, plant and equipment written off	1,103	3,045
Net provision for warranties	(1,581)	3,245
Share based payment	1,295	4,163
Share of profit of associates	(31,277)	(34,806)
Operating profit before changes in working capital	128,110	122,092
Receivables, deposits and prepayments	63,687	179,390
Inventories	(45,774)	(31,597)
Payables and accruals	5,558	(135,289)
Amount due to/ (from) contract customers	(256,982)	165,772
Cash generated from/ (used in) operations	(105,401)	300,368
Net income taxes paid	(16,069)	(23,559)
Net cash generated from/(used in) operating activities	(121,470)	276,809
Cash flows from investing activities		
Additions to development expenditures	(2,212)	(3,294)
Acquisition of subsidiary, net of cash inflow	18	-
Acquisition of non-controlling interest	(3,253)	-
Dividend received from associates	5,016	9,534
Investment in associates	-	(4,164)
Interest received	3,792	4,535
Proceed from disposal of property, plant and equipment	3,749	6,911
Purchase of property, plant and equipment	(34,312)	(28,988)
Net cash used in investing activities	(27,202)	(15,466)
Cash flows from financing activities		
Dividend paid to owners of the Company	(19,087)	(7,774)
Dividend paid to non-controlling interest	(8,526)	(7,909)
Interest paid	(24,519)	(30,285)
Proceed from exercise of share options	3,111	7,772
Proceed from issuance of shares to non-controlling interests of a subsidiary	2,467	2,064
Net drawdown/ (repayment) of loans and borrowings	23,657	(239,738)
Net cash used in financing activities	(22,897)	(275,870)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2014 (3RD QUARTER)**

(cont'd)

	Unaudited YTD 30.09.2014 RM'000	Unaudited YTD 30.09.2013 RM'000
Currency translation differences	(4,145)	(4,050)
Net increase in cash and cash equivalents	(175,714)	(18,577)
Cash and cash equivalents at 1 January	421,647	320,285
Cash and cash equivalents at 30 September	245,933	301,708

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

	30.09.2014 RM'000	30.09.2013 RM'000
Cash and bank balances	216,353	195,194
Deposits placed with licensed banks	46,799	115,486
Cash and cash equivalents per balance sheet	263,152	310,680
Bank overdrafts	(17,219)	(8,972)
	245,933	301,708

(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 SEPTEMBER 2014 (3RD 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

- | | |
|--|----------------|
| • 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 9 months financial period ended 30 September 2014, a total of 3,535,000 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

A first and final tax exempt dividend of 4.50 sen per ordinary share of RM0.50 each totalling RM19.087 million in respect of the year ended 31 December 2013 was paid on 25 August 2014.

9. SEGMENT REVENUE AND RESULTS

Financial data by business segment for the Group:

	Period ended 30.09.2014	
	Revenue RM'000	Profit/(Loss) before tax RM'000
Infrastructure construction	733,435	27,536
Cranes	585,174	84,021
Marine ship repair and ship building	170,343	30,555
Concession	-	33,762
	<hr/>	<hr/>
	1,488,952	175,874
Less: Group eliminations	(252,760)	(72,399)
	<hr/>	<hr/>
	<u>1,236,192</u>	<u>103,475</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 20 November 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>98,961</u>
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14. CAPITAL COMMITMENTS

There were no material capital commitments as at 30 September 2014 and up to 20 November 2014.

15. COMPARISON WITH PRECEDING QUARTER RESULTS (Q3 2014 vs. Q2 2014)

The Group's revenue is RM376.1 million with a profit after tax of RM27.6 million for the current quarter ended 30 September 2014 as compared to revenue and profit after tax of RM466.1 million and RM30.1 million respectively in the preceding quarter ended 30 June 2014. This is mainly due to timing difference with higher recognition of revenue and related contribution from work-in-progress with the receipt of more components for the cranes and shipyard divisions in the previous quarter.

16. REVIEW OF GROUP PERFORMANCE (YTD Q3 2014 vs. YTD Q3 2013)

The Group reported revenue is RM1.24 billion with higher profit before tax of RM103.5 million for the 9 months ended 30 September 2014 in comparison to revenue of RM1.27 billion with profit before tax of RM87.5 million in the previous corresponding period ended 30 September 2013.

The improvement in profit before tax is mainly from the cranes division with delivery of more cranes and airport concession division with more airport passengers arrival.

17. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 20 November 2014, the total outstanding secured order book in hand of the Group is RM2.13 billion.

b) Current Year Prospect

In 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 is hopeful to secure some of the engineering and construction works from these packages.

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 30.09.2014 RM'000	Cumulative Qtr To date 30.09.2014 RM'000
Operating profit is arrived at after (crediting)/charging the following:		
Depreciation and amortisation	14,707	41,275
Finance costs		
-Income statement	5,630	12,021
-contract cost	5,234	12,498
	<u>10,864</u>	<u>24,519</u>
Finance costs under MFRS 139	12	19
Interest income	(917)	(3,792)
Interest income under MFRS 139	(1,887)	(1,922)
(Gain)/loss on derivatives/ foreign exchange	5,074	(4,183)
(Gain)/loss on disposal of property, plant and equipment	407	(155)

20. TAXATION

	Current Quarter 30.09.2014 RM'000	Cumulative Qtr To date 30.09.2014 RM'000
Corporate tax expense		
Malaysia - current	(299)	(22,162)
Overseas - current	358	(761)
	59	(22,923)
Deferred tax expense		
Malaysia - current	(397)	(546)
Overseas - current	-	-
	(397)	(546)
Total tax expense	(338)	(23,469)

The Group's effective tax rate for the current quarter ended 30 September 2014 is lower than statutory tax rate mainly due to availability and utilisation of Group tax relief provision among the Group companies.

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	17,410	17,410
	Sub- total		17,410
Unsecured	RM	267,100	267,100
	DKK	7,073	3,941
	SGD	2,096	5,378
	USD	595	1,946
	EURO	40	166
	Sub- total		278,531
b) Hire purchase and finance lease	RM	15	15
	Sub- total		15
Total Short Term Borrowings			295,956
a) Long term borrowings			
Secured	RM	58,335	58,335
	Sub-total		58,335
Unsecured	RM	16,117	16,117
	Sub-total		16,117
b) Hire purchase and finance lease	RM	3	3
	Sub-total		3
Total Long Term Borrowings			74,455
Total borrowings			370,411

23. MATERIAL LITIGATION

The ongoing material litigation of the Group as at 20 November 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 ("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.

iii. 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.

iv. UEM Group Berhad ("UEM") v. MEB

The Company is challenging the Application filed by UEM Group Berhad to appoint an arbitration panel in Qatar for a claim of RM26.5 million against the Company in respect of a subcontract project which was completed a few years ago.

24. EARNINGS PER SHARE ("EPS")

a) Basic EPS

	Basic EPS		Diluted EPS	
	Current	Cumulative	Current	Cumulative
	30.09.2014		30.09.2014	
Net profit attributable to the owners of the Company (RM'000)	20,270	61,360	20,270	61,360
Weighted average number of ordinary shares in issue ('000)	423,992	422,588	423,992	422,588
Effect of dilution:				
Share options ('000)	-	-	12,968	12,968
Warrants ('000)	-	-	23,838	23,838
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	423,992	422,588	460,798	459,394
EPS (Sen)	4.78	14.52	4.40	13.36

25. REALISED AND UNREALISED PROFITS/LOSSES

	As at 30.09.2014	As at 31.12.2013
	RM'000	RM'000
Total retained profits/ (accumulated losses) of Muhibbah Engineering (M) Bhd and its subsidiaries:		
- Realised	193,033	186,032
- Unrealised	(52,403)	(54,260)
	140,630	131,772
Total retained profits/ (accumulated losses) from associated companies:		
- Realised	147,454	112,790
- Unrealised	(516)	(516)
	146,938	112,274
Less: Consolidation adjustments	(104,814)	(101,620)
Total Group retained profits	182,754	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 27 November 2014.

By order of the Board of Directors
Company Secretary
Date : 27 November 2014