

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 2015 (1ST QUARTER)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 31.03.2015 RM'000	AUDITED AS AT 31.12.2014 RM'000
Assets		
Property, plant and equipment	724,335	723,289
Investment in associates	236,689	210,212
Other non-current assets	78,252	76,416
Total non-current assets	1,039,276	1,009,917
Receivables, deposits and prepayments	736,918	708,701
Amount due from contract customers	587,249	532,121
Inventories	306,433	282,335
Current tax assets and other assets	15,281	14,167
Cash and cash equivalents	569,596	585,532
Total current assets	2,215,477	2,122,856
Total assets	3,254,753	3,132,773
Equity		
Share capital	217,525	215,732
Reserves	468,126	428,247
Total equity attributable to owners of the Company	685,651	643,979
Non-controlling interests	232,838	224,309
Total equity	918,489	868,288
Liabilities		
Payables and accruals	15,889	15,076
Loans and borrowings	64,065	69,267
Deferred tax liabilities	45,652	45,615
Total non-current liabilities	125,606	129,958
Provision, payables and accruals	604,076	606,931
Amount due to contract customers	349,871	321,267
Bills payables	832,683	788,447
Loans and borrowings	380,571	378,775
Tax liabilities and other liabilities	43,457	39,107
Total current liabilities	2,210,658	2,134,527
Total liabilities	2,336,264	2,264,485
Total equity and liabilities	3,254,753	3,132,773
Net assets per share attributable to owners of the Company (RM)	1.58	1.52

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2014 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 2015 (1ST QUARTER)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
		31.03.2015 RM'000	31.03.2014 RM'000	31.03.2015 RM'000	31.03.2014 RM'000
Revenue		363,210	393,948	363,210	393,948
Cost of sales and operating expenses		(339,047)	(378,934)	(339,047)	(378,934)
Other income		2,102	936	2,102	936
Results from operating activities		26,265	15,950	26,265	15,950
Interest income (including MFRS 139)		1,222	1,634	1,222	1,634
Finance costs (including MFRS 139)		(4,262)	(2,006)	(4,262)	(2,006)
Operating profit		23,225	15,578	23,225	15,578
Share of profit after tax and minority interest of equity accounted associates		16,344	15,365	16,344	15,365
Profit before tax		39,569	30,943	39,569	30,943
Tax expense	20.	(7,555)	(8,650)	(7,555)	(8,650)
Profit for the period		32,014	22,293	32,014	22,293
Other comprehensive income					
Foreign currency translation differences for foreign operations		14,091	(1,546)	14,091	(1,546)
Other comprehensive income/(expense) for the period		14,091	(1,546)	14,091	(1,546)
Total comprehensive income for the period		46,105	20,747	46,105	20,747
Profit attributable to:					
Owners of the Company		23,289	20,163	23,289	20,163
Non-controlling interests		8,725	2,130	8,725	2,130
Profit for the period		32,014	22,293	32,014	22,293
Total comprehensive income attributable to:					
Owners of the Company		38,147	18,220	38,147	18,220
Non-controlling interests		7,958	2,527	7,958	2,527
Total comprehensive income for the period		46,105	20,747	46,105	20,747
Earnings per ordinary share					
Basic (Sen)	24.	5.39	4.79	5.39	4.79
Diluted (Sen)	24.	5.10	4.41	5.10	4.41

(The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2015 (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 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 option 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>
At 1 January 2015	215,732	(5,561)	207,701	23,718	202,389	643,979	224,309	868,288
Foreign currency translation differences for foreign operations	-	-	-	14,858	-	14,858	(767)	14,091
Profit for the period	-	-	-	-	23,289	23,289	8,725	32,014
Total comprehensive income for the period	-	-	-	14,858	23,289	38,147	7,958	46,105
Share options exercised	293	-	223	-	-	516	265	781
Share-based payments	-	-	63	-	-	63	42	105
Warrant exercise	1,500	-	1,710	-	-	3,210	-	3,210
Dilution of interest in subsidiary	-	-	-	-	(264)	(264)	264	-
At 31 March 2015	<u>217,525</u>	<u>(5,561)</u>	<u>209,697</u>	<u>38,576</u>	<u>225,414</u>	<u>685,651</u>	<u>232,838</u>	<u>918,489</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 2014 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 2015 (1ST QUARTER)

	Unaudited YTD 31.03.2015 RM'000	Unaudited YTD 31.03.2014 RM'000
Profit before tax	39,569	30,943
Adjustment for:		
Depreciation and amortisation	17,134	12,569
Fair value adjustment on derivative instruments	6,997	(6,159)
Finance costs	9,922	3,936
Finance costs under MFRS 139	58	7
Loss/(Gain) on disposal of property, plant and equipments	258	(582)
Net impairment loss on receivables	(2,761)	(1,514)
Interest income	(1,160)	(1,616)
Interest income under MFRS 139	(62)	(18)
Property, plant and equipment written off	2	25
Net provision for warranties	(3,715)	(170)
Share based payment	105	431
Share of profit of associates	(16,344)	(15,365)
Operating profit before changes in working capital	50,003	22,487
Receivables, deposits and prepayments	(32,819)	108,287
Inventories	(24,098)	(13,149)
Payables and accruals	2,009	(82,561)
Amount due from contract customers	(26,524)	(76,895)
Cash used in operations	(31,429)	(41,831)
Net income taxes paid	(10,879)	(2,529)
Net cash generated used in operating activities	(42,308)	(44,360)
Cash flows from investing activities		
Additions to development expenditures	(772)	(879)
Investment in associates	-	1,616
Interest received	1,160	2,458
Proceed from disposal of property, plant and equipment	2,190	-
Purchase of property, plant and equipment	(12,428)	(6,114)
Net cash used in investing activities	(9,850)	(2,919)
Cash flows from financing activities		
Dividend paid to owners of the Company	-	-
Dividend paid to non-controlling interest	-	-
Interest paid	(9,922)	(3,936)
Proceed from exercise of share options	3,726	1,241
Proceed from issuance of shares to non-controlling interests of a subsidiary	265	110
Net drawdown/ (repayment) of loans and borrowings	37,106	(81,298)
Net cash from/(used in) financing activities	31,175	(83,883)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2015 (1ST QUARTER)
(cont'd)**

	Unaudited YTD 31.03.2015 RM'000	Unaudited YTD 31.03.2014 RM'000
Currency translation differences	1,323	732
Net decrease in cash and cash equivalents	(19,660)	(130,430)
Cash and cash equivalents at 1 January	575,130	421,647
Cash and cash equivalents at 31 December	555,470	291,217

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

	31.03.2015 RM'000	31.03.2014 RM'000
Cash and bank balances	485,080	189,978
Deposits placed with licensed banks	84,516	108,198
Cash and cash equivalents per balance sheet	569,596	298,176
Bank overdrafts	(14,126)	(6,959)
	555,470	291,217

(The Condensed Consolidated Cash Flow statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2014 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 2015 (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 2014. 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 2014.

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 2014 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 2015:

MFRSs and IC Interpretations

(Including the Consequential Amendments)

Effective Date

• Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities	1 January 2015
• Amendment to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2015
• Amendment to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2015
• Amendment to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2015
• IC Interpretation 21 Levies	1 January 2015

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:

<u>MFRSs and IC Interpretations</u> <u>(Including the Consequential Amendments)</u>	<u>Effective Date</u>
• MFRS 9 Financial Instruments (IFRS issued by IASB in July 2014)	1 January 2018
• MFRS 15 Revenue from Contracts with Customers	1 January 2017
• Amendements to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor or its Associate of Joint Ventures	1 January 2016
• Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
• Amendments to MFRS 10, MFRS 12 and MFRS 128: (2011): Investment Entities - Applying the Consolidation Exception	1 January 2016
• Amendments to MFRS 101: Presentation of Financial Statements - Disclosure Initiative	1 January 2016
• Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
• Amendments to MFRS 116 and MFRS 141: Agriculture - Bearer Plants	1 January 2016
• Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
• Annuals Improvements to MFRS 2012 - 2014 Cycle	1 January 2016

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 2014 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 3 months financial period ended 31 March 2015, a total of 3,586,000 new ordinary shares was issued pursuant to the exercise of the warrants and 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 31.03.2015	
	Revenue RM'000	Profit before tax RM'000
Infrastructure construction	236,108	11,264
Cranes	191,964	29,867
Marine ship repair and ship building	19,725	641
Concession	-	17,579
	<hr/>	<hr/>
	447,797	59,351
Less: Group eliminations	(84,587)	(19,782)
	<hr/>	<hr/>
	<u>363,210</u>	<u>39,569</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 2015, 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 2014, there were no material changes in the contingent liabilities of the Company:

Corporate guarantees for credit facilities granted to subsidiary companies	RM'000 <u>130,456</u>
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14. CAPITAL COMMITMENTS

There were no material capital commitments as at 31 March 2015 and up to 22 May 2015.

15. COMPARISON WITH PRECEDING QUARTER RESULTS (Q1 2015 vs. Q4 2014)

The Group is reporting lower revenue of RM363.2 million for the current quarter ended 31 March 2015 as compared to revenue of RM497.4 million for the preceding quarter ended 31 December 2014. However, the Group's profit before tax of RM39.6 million for the current quarter ended 31 March 2015 is comparable with the profit before tax of RM40.2 million for preceding corresponding quarter mainly due to improvement in operational efficiencies of our Favelle Favco crane division.

16. REVIEW OF GROUP PERFORMANCE (YTD Q1 2015 vs. YTD Q1 2014)

The Group is reporting revenue of RM363.2 million with profit before tax of RM39.6 million for the current period ended 31 March 2015 in comparison to revenue of RM393.9 million with profit before tax of RM30.9 million in the previous corresponding period ended 31 March 2014.

The improvement in Group profit before tax is mainly attributed by Favelle Favco crane division and Cambodian airports whereby the Favelle Favco crane division has improvement in operational efficiencies and the Cambodian airports have seen continuous passenger growth. Both crane division and Cambodian airports concessions are also benefited from the appreciation of USD for their USD revenue collections.

17. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 22 May 2015, the total outstanding secured order book in hand of the Group is RM2 billion.

b) Current Year Prospect

PETRONAS has launched Pengerang Integrated Complex Project, which comprises of Refinery and Petrochemical Integrated Development ("RAPID") and other associated facilities with total investment worth USD25 billion (approximately RM89 billion). We secured our first contract associated with the RAPID project worth USD31.4 million (approximately RM116 million) in first quarter of 2015. We will continue to bid for more works associated with this project.

The Company will also be submitting tenders for the Mass Rapid Transit project (Phase 2 line), various expressways and other infrastructure works.

In the marine infrastructure sector, major ports including Northport (Malaysia) Sdn Bhd, Westport Holdings Berhad and Samalaju Industrial Port Sdn Bhd are expanding their ports facilities. Our marine infrastructure division continues to be engaged in these works.

The Company also sees continued growth in both business travellers and tourists arrivals for our Cambodia airports concession business.

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 31.03.2015 RM'000	Cumulative Qtr To date 31.03.2015 RM'000
Operating profit is arrived at after charging/(crediting) the following:		
Depreciation and amortisation	17,134	17,134
Finance costs		
-Income statement	4,207	4,207
-contract cost	5,718	5,718
	9,925	9,925
Finance costs under MFRS 139	55	55
Interest income	(1,160)	(1,160)
Interest income under MFRS 139	(62)	(62)
(Gain)/Loss on foreign exchange	(100)	(100)
Loss/(Gain) on derivatives	6,997	6,997
Loss/(Gain) on disposal of property, plant and equipment	258	258

20. TAXATION

	Current Quarter 31.03.2015 RM'000	Cumulative Qtr To date 31.03.2015 RM'000
Corporate tax expense		
Malaysia - current	(7,228)	(7,228)
Overseas - current	(192)	(192)
	(7,420)	(7,420)
Deferred tax expense		
Malaysia - current	(135)	(135)
Overseas - current	-	-
	(135)	(135)
Total tax expense	(7,555)	(7,555)

The Group's effective tax rate for the current quarter ended 31 March 2015 is lower than statutory tax rate due to overprovision of taxation in infrastructure construction division in the previous 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		16,354	16,354
AUD		1,046	2,958
Sub- total			19,312
Unsecured			
RM		358,361	358,361
USD		779	2,888
Sub- total			361,249
b) Hire purchase and finance lease			
RM		10	10
Sub- total			10
Total Short Term Borrowings			380,571
a) Long term borrowings			
Secured			
RM		50,698	50,698
Sub-total			50,698
Unsecured			
RM		13,367	13,367
Sub-total			13,367
Total Long Term Borrowings			64,065
Total borrowings			444,636

23. MATERIAL LITIGATION

The ongoing material litigation of the Group as at 22 May 2015 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 has been successful in dismissing 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. UEM has filed an appeal ("Appeal") on the decision of the Court of First Instance to the Court of Appeal in Qatar. Subsequently, the Appeal has been struck off from the Court of Appeal.

24. EARNINGS PER SHARE ("EPS")

a) Basic EPS

	Basic EPS		Diluted EPS	
	Current	Cumulative	Current	Cumulative
	31.03.2015		31.03.2015	
Net profit attributable to the owners of the Company (RM'000)	23,289	23,289	23,289	23,289
Weighted average number of ordinary shares in issue ('000)	431,801	431,801	431,801	431,801
Effect of dilution:				
Share options ('000)	-	-	7,628	7,628
Warrants ('000)	-	-	16,920	16,920
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	431,801	431,801	456,349	456,349
EPS (Sen)	5.39	5.39	5.10	5.10

25. REALISED AND UNREALISED PROFITS/LOSSES

	As at 31.03.2015 RM'000	As at 31.03.2014 RM'000
Total retained profits/ (accumulated losses) of Muhibbbah Engineering (M) Bhd and its subsidiaries:		
- Realised	219,019	200,726
- Unrealised	(31,068)	(64,055)
	187,951	136,671
Total retained profits/ (accumulated losses) from associated companies:		
- Realised	150,342	128,155
- Unrealised	(4,030)	(516)
	146,312	127,639
Less: Consolidation adjustments	(108,849)	(101,780)
Total Group retained profits/(accumulated losses)	225,414	162,530

26. COMPARATIVE FIGURES

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

By order of the Board of Directors
Company Secretary
Date : 29 May 2015