

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 2015**

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	UNAUDITED AS AT 30.06.2015 RM'000	AUDITED AS AT 31.12.2014 RM'000
Assets		
Property, plant and equipment	735,174	723,289
Investment in associates	251,255	210,212
Other non-current assets	79,245	76,416
Total non-current assets	1,065,674	1,009,917
Receivables, deposits and prepayments	799,087	708,701
Amount due from contract customers	571,551	532,121
Inventories	322,260	282,335
Current tax assets and other assets	16,326	14,167
Cash and cash equivalents	462,510	585,532
Total current assets	2,171,734	2,122,856
Total assets	3,237,408	3,132,773
Equity		
Share capital	234,836	215,732
Reserves	491,823	428,247
Total equity attributable to owners of the Company	726,659	643,979
Non-controlling interests	234,285	224,309
Total equity	960,944	868,288
Liabilities		
Payables and accruals	15,257	15,076
Loans and borrowings	58,861	69,267
Deferred tax liabilities	45,807	45,615
Total non-current liabilities	119,925	129,958
Provision, payables and accruals	567,049	606,931
Amount due to contract customers	394,668	321,267
Dividend payable	29,120	-
Bills payables	813,485	788,447
Loans and borrowings	307,410	378,775
Tax liabilities and other liabilities	44,807	39,107
Total current liabilities	2,156,539	2,134,527
Total liabilities	2,276,464	2,264,485
Total equity and liabilities	3,237,408	3,132,773
Net assets per share attributable to owners of the Company (RM)	1.55	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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(Company No : 12737-K)

(Incorporated in Malaysia)

ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP

FOR THE PERIOD ENDED 30 JUNE 2015

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
		30.06.2015 RM'000	30.06.2014 RM'000	30.06.2015 RM'000	30.06.2014 RM'000
Revenue		410,338	466,144	773,548	860,092
Cost of sales and operating expenses		(382,239)	(429,416)	(721,286)	(808,350)
Other income		4,078	325	6,180	1,261
Results from operating activities		32,177	37,053	58,442	53,003
Interest income (including MFRS 139)		3,319	1,276	4,541	2,910
Finance costs (including MFRS 139)		(9,595)	(4,392)	(13,857)	(6,398)
Operating profit		25,901	33,937	49,126	49,515
Share of profit after tax and minority interest of equity accounted associates		11,439	10,666	27,783	26,031
Profit before tax		37,340	44,603	76,909	75,546
Tax expense	20	(11,242)	(14,481)	(18,797)	(23,131)
Profit for the period		26,098	30,122	58,112	52,415
Other comprehensive income					
Foreign currency translation differences for foreign operations		10,354	(4,639)	24,445	(6,185)
Other comprehensive income/(expense) for the period		10,354	(4,639)	24,445	(6,185)
Total comprehensive income for the period		36,452	25,483	82,557	46,230
Profit attributable to:					
Owners of the Company		19,259	20,927	42,548	41,090
Non-controlling interests		6,839	9,195	15,564	11,325
Profit for the period		26,098	30,122	58,112	52,415
Total comprehensive income attributable to:					
Owners of the Company		27,365	16,765	65,512	34,985
Non-controlling interests		9,087	8,718	17,045	11,245
Total comprehensive income for the period		36,452	25,483	82,557	46,230
Earnings per ordinary share					
Basic (Sen)	24	4.17	4.95	9.52	9.74
Diluted (Sen)	24	4.10	4.56	9.36	8.96

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

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2015**

	Attributable to shareholders of the Company							Total equity RM'000
	Non-distributable			Distributable		Total equity attributable to owners of the Company RM'000	Non- controlling interests RM'000	
	Share capital RM'000	Treasury shares RM'000	Reserves attributable to capital RM'000	Reserve attributable to revenue RM'000	Retained earnings RM'000			
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	-	-	-	22,964	-	22,964	1,481	24,445
Profit for the period	-	-	-	-	42,548	42,548	15,564	58,112
Total comprehensive income for the period	-	-	-	22,964	42,548	65,512	17,045	82,557
Share options exercised	604	-	460	-	-	1,064	335	1,399
Share-based payments	-	-	128	-	-	128	84	212
Warrant exercise	18,500	-	21,090	-	-	39,590	-	39,590
Dilution of interest in subsidiary	-	-	-	-	(4,894)	(4,894)	4,894	-
Dividends to owner of the Company	-	-	-	-	(18,720)	(18,720)	-	(18,720)
Dividends to non-controlling interest	-	-	-	-	-	-	(12,382)	(12,382)
At 30 June 2015	234,836	(5,561)	229,379	46,682	221,323	726,659	234,285	960,944
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 option 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	212,275	(5,561)	203,984	6,040	182,299	599,037	205,372	804,409

(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 30 JUNE 2015**

	Unaudited Period ended 30.06.2015 RM'000	Unaudited Period ended 30.06.2014 RM'000
Profit before tax	76,909	75,546
Adjustment for:		
Depreciation and amortisation	29,901	26,568
Fair value adjustment on derivative instruments	5,046	(13,777)
Finance costs	24,552	13,655
Finance costs under MFRS 139	110	7
Gain on disposal of property, plant and equipments	(534)	(562)
Net impairment loss on receivables	(6,610)	(2,246)
Interest income	(4,418)	(2,875)
Interest income under MFRS 139	(123)	(35)
Property, plant and equipment written off	182	51
Net provision for warranties	(4,803)	75
Share based payment	209	862
Share of profit of associates	(27,783)	(26,031)
Operating profit before changes in working capital	92,638	71,238
Receivables, deposits and prepayments	(83,198)	66,229
Inventories	(39,925)	(33,349)
Payables and accruals	(36,098)	(50,673)
Amount due from contract customers	33,972	(198,668)
Cash used in operations	(32,611)	(145,223)
Net income taxes paid	(19,596)	(8,551)
Net cash generated used in operating activities	(52,207)	(153,774)
Cash flows from investing activities		
Additions to development expenditures	(2,247)	(1,449)
Acquisition of non-controlling interest	-	(3,253)
Dividend received from associates	-	4,200
Interest received	4,418	2,875
Proceed from disposal of property, plant and equipment	3,187	3,412
Purchase of property, plant and equipment	(33,058)	(18,367)
Net cash used in investing activities	(27,700)	(12,582)
Cash flows from financing activities		
Dividend paid to non-controlling interest	(1,982)	-
Interest paid	(24,552)	(13,655)
Proceed from exercise of share options and warrants	40,654	1,869
Proceed from issuance of shares to non-controlling interests of a subsidiary	335	1,589
Net drawdown/ (repayment) of loans and borrowings	(69,037)	(7,197)
Net cash used in financing activities	(54,582)	(17,394)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015
(cont'd)**

	Unaudited Period ended 30.06.2015 RM'000	Unaudited Period ended 30.06.2014 RM'000
Currency translation differences	(838)	292
Net decrease in cash and cash equivalents	(135,327)	(183,458)
Cash and cash equivalents at 1 January	575,130	421,647
Cash and cash equivalents at 30 June	439,803	238,189

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

	30.06.2015 RM'000	30.06.2014 RM'000
Cash and bank balances	406,519	179,940
Deposits placed with licensed banks	55,991	70,105
Cash and cash equivalents per balance sheet	462,510	250,045
Bank overdrafts	(22,707)	(11,856)
	439,803	238,189

(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 30 JUNE 2015**

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. SIGNIFICANT 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 Amendments and Annual Improvements to Standards effective from 1 July 2014:

- ~ Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions
- ~ Annual Improvements to MFRSs 2010 - 2012 Cycle
- ~ Annual Improvements to MFRSs 2011 - 2013 Cycle

The adoption of the above amendments and Annual Improvements to Standards did not have any material impact on the Group and the Company's financial statements upon their initial application.

The following MFRSs and Amendments to MFRSs have been issued by the MASB but are not yet effective to the Group:

<u>MFRSs and IC Interpretations</u> <u>(Including the Consequential Amendments)</u>	<u>Effective Date</u>
~ MFRS 9 Financial Instruments	1 January 2018
~ MFRS 15 Revenue from Contracts with Customers	1 January 2017
~ Amendments to MFRS 10 and MFRS 128: 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: 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The following MFRSs and Amendments to MFRSs have been issued by the MASB but are not yet effective and have not been adopted by the Group:

<u>MFRSs and IC Interpretations</u> <u>(Including the Consequential Amendments)</u>	<u>Effective Date</u>
~ MFRS 9 Financial Instruments	1 January 2018
~ MFRS 15 Revenue from Contracts with Customers	1 January 2017
~ Amendments to MFRS 10 and MFRS 128: 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: 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.

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

There were no other issuance, repurchase and repayment of debt and equity securities by the Group during the six-month ended 30 June 2015 besides the repayment of RM70 million Islamic Bonds and 38.2 million ordinary shares were issued pursuant to the exercise of the warrants and Employees' Share Option Scheme.

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 30.06.2015	
	Revenue	Profit/(Loss) before tax
	RM'000	RM'000
Infrastructure construction	513,312	34,359
Cranes	399,363	56,581
Marine ship repair and ship building	29,872	5,322
Concession	-	29,119
	<hr/>	<hr/>
	942,547	125,381
Less: Group eliminations	(168,999)	(48,472)
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	773,548	76,909
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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 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:

	RM'000
Corporate guarantees for credit facilities granted to subsidiary companies	<u>102,510</u>

14. CAPITAL COMMITMENTS

There were no material capital commitments as at 30 June 2015 and up to 21 August 2015.

15. COMPARISON WITH PRECEDING QUARTER RESULTS (Q2 2015 vs. Q1 2015)

The Group recorded revenue of RM410.3 million for the current quarter as compared to revenue of RM363.2 million for the preceding quarter. The Group recorded marginally lower profit before tax of RM37.3 million for the current quarter as compared to preceding quarter of RM39.6 million in line with the overall global economic environment.

16. REVIEW OF GROUP PERFORMANCE (YTD Q2 2015 vs. YTD Q2 2014)

Both Group turnover and profit before tax for current year to date are compatible with preceding year to date.

17. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 21 August 2015, the total outstanding secured order book in hand of the Group is RM2.1 billion.

b) Current Year Prospect

For year 2015, the Group has commenced work for two projects secured from two largest main contractors of Refinery and Petrochemicals Integrated Development Project ("RAPID"), namely Toyo Thai and Tecnicas Reunidas for total contract value of RM275 million. The construction division has also further secured works for Northport and Westport

Meanwhile, our operation at the Cambodia Airports has substantially completed its expansion program to cater for growth in Siem Reap International Airport and Phnom Penh International Airport.

Both Cranes and Airports division are beneficiary of the USD appreciation as most of their revenue are in USD.

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 30.06.2015 RM'000	Cumulative Qtr To date 30.06.2015 RM'000
Operating profit is arrived at after (crediting)/charging the following:		
Depreciation and amortisation	12,767	29,901
Finance costs		
-Income statement	9,539	13,746
-contract cost	5,088	10,806
	<u>14,626</u>	<u>24,552</u>
Finance costs under MFRS 139	55	110
Interest income	(3,258)	(4,418)
Interest income under MFRS 139	(61)	(123)
(Gain)/Loss on foreign exchange	3,270	3,170
Loss/(Gain) on derivatives	(1,951)	5,046
Gain on disposal of property, plant and equipment	(792)	(534)

20. TAXATION

	Current Quarter 30.06.2015 RM'000	Cumulative Qtr To date 30.06.2015 RM'000
Corporate tax expense		
Malaysia - current	(10,961)	(18,189)
Overseas - current	(221)	(413)
	<u>(11,182)</u>	<u>(18,602)</u>
Deferred tax expense		
Malaysia - current	(60)	(195)
Overseas - current	-	-
	<u>(60)</u>	<u>(195)</u>
Total tax expense	<u>(11,242)</u>	<u>(18,797)</u>

The Group's effective tax rate for the current quarter ended 30 June 2015 is in line with the statutory tax rate.

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		15,826	15,826
AUD		523	1,516
Sub- total			17,342
Unsecured			
RM		287,160	287,160
USD		656	2,484
DKK		737	418
Sub- total			290,062
b) Hire purchase and finance lease			
RM		6	6
Sub- total			6
Total Short Term Borrowings			307,410
a) Long term borrowings			
Secured			
RM		46,869	46,869
Sub-total			46,869
Unsecured			
RM		11,992	11,992
Sub-total			11,992
Total Long Term Borrowings			58,861
Total borrowings			366,271

23. MATERIAL LITIGATION

The ongoing material litigation of the Group as at 20 August 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 (%FB+) and FFB's subsidiary Favelle Favco Cranes (USA) Inc (%FU+), 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 (%FU+), 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.

23. MATERIAL LITIGATION (continued)

v. Kannegiesser

The Company has on 10 July 2015 received a Request for Arbitration from Herbert Kannegiesser GmbH ("HKG"), a Nominated Subcontractor for the catering facility of the New Doha International Airport for QAR 54,554,910-56 ("Claim").

The Company has challenged and disputed the Claim.

vi. Wiggins Island Coal Export Terminal Pty Ltd ("WICET")

The legal proceedings between WICET and Monadelphous Muhibbah Marine JV ("MMM"), a joint venture of which Muhibbah Construction Pty Ltd, a subsidiary of Muhibbah Engineering (M) Bhd, has 50% interest, remain on-going.

24. EARNINGS PER SHARE ("EPS")

a) Basic EPS

	Basic EPS		Diluted EPS	
	Current	Cumulative	Current	Cumulative
	30.06.2015		30.06.2015	
Net profit attributable to the owners of the Company (RM'000)	19,259	42,548	19,259	42,548
Weighted average number of ordinary shares in issue ('000)	461,974	446,974	461,974	446,974
Effect of dilution:				
Share options ('000)	-	-	7,815	7,815
Warrants ('000)	-	-	-	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	461,974	446,974	469,789	454,789
EPS (Sen)	4.17	9.52	4.10	9.36

25. REALISED AND UNREALISED PROFITS/LOSSES

	As at 30.06.2015 RM'000	As at 31.12.2014 RM'000
Total retained profits/ (accumulated losses) of Muhibbah Engineering (M) Bhd and its subsidiaries:		
- Realised	174,960	200,716
- Unrealised	34,825	(32,529)
	209,785	168,187
Total retained profits/ (accumulated losses) from associated companies:		
- Realised	159,600	133,848
- Unrealised	(1,849)	(3,878)
	157,751	129,970
Less: Consolidation adjustments	(146,213)	(95,768)
Total Group retained profits	221,323	202,389

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 : 28 August 2015**