

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 2013 (3RD QUARTER)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 30.9.2013 RM'000	AUDITED AS AT 31.12.2012 RM'000
Assets		
Property, plant and equipment	721,981	718,477
Investment in associates	205,610	171,331
Goodwill and other intangible assets	-	-
Other non-current assets	21,498	18,360
Total non-current assets	949,089	908,168
Receivables, deposits and prepayments	749,642	917,718
Amount due from contract customers	339,332	456,683
Inventories	225,676	208,595
Current tax assets	11,036	4,837
Derivative assets	-	1,186
Cash and cash equivalents	310,680	336,743
Total current assets	1,636,366	1,925,762
Total assets	2,585,455	2,833,930
Equity		
Share capital	208,540	204,124
Reserves	318,741	249,931
Total equity attributable to owners of the Company	527,281	454,055
Non-controlling interests	179,732	166,353
Total equity	707,013	620,408
Liabilities		
Payables and accruals	14,113	14,017
Loans and borrowings	141,573	154,404
Deferred tax liabilities	47,705	46,006
Total non-current liabilities	203,391	214,427
Provision, payables and accruals	475,666	607,746
Amount due to contract customers	465,341	416,920
Bills payables	631,955	686,843
Derivative liabilities	2,553	73
Loans and borrowings	92,855	272,360
Tax liabilities	6,681	15,153
Total current liabilities	1,675,051	1,999,095
Total liabilities	1,878,442	2,213,522
Total equity and liabilities	2,585,455	2,833,930
Net assets per share attributable to owners of the Company (RM)	1.27	1.12

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2012 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 2013 (3RD QUARTER)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
		30.9.2013 RM'000	30.9.2012 RM'000	30.9.2013 RM'000	30.9.2012 RM'000
Revenue		475,439	580,175	1,268,250	1,624,714
Cost of sales and operating expenses		(459,792)	(552,300)	(1,206,897)	(1,552,868)
Other income		292	(35)	1,492	895
Results from operating activities		15,939	27,840	62,845	72,741
Interest income (including MFRS 139)		1,875	1,377	4,571	3,395
Finance costs (including MFRS 139)		(2,543)	(4,075)	(14,678)	(15,835)
Operating profit		15,271	25,142	52,738	60,301
Share of profit after tax and minority interest of equity accounted associates		11,846	11,318	34,806	29,682
Profit before tax		27,117	36,460	87,544	89,983
Tax expense	19.	2,108	(6,816)	(10,056)	(12,475)
Profit for the period		29,225	29,644	77,488	77,508
Other comprehensive income					
Foreign currency translation differences for foreign operations		8,067	(3,952)	10,801	(4,710)
Other comprehensive income for the period		8,067	(3,952)	10,801	(4,710)
Total comprehensive income for the period		37,292	25,692	88,289	72,798
Profit attributable to:					
Owners of the Company		20,106	19,124	60,638	52,707
Non-controlling interests		9,119	10,520	16,850	24,801
Profit for the period		29,225	29,644	77,488	77,508
Total comprehensive income attributable to:					
Owners of the Company		26,664	14,526	70,177	48,148
Non-controlling interests		10,628	11,166	18,112	24,650
Total comprehensive income for the period		37,292	25,692	88,289	72,798
Earnings per ordinary share					
Basic (Sen)	24.	4.86	4.71	14.82	12.97
Diluted (Sen)	24.	4.60	4.59	14.00	12.65

(The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2012 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 2013 (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 2012								
As previously stated	204,107	(5,561)	130,392	2,074	184,381	515,393	124,583	639,976
Rectification of brought forward share option forfeited	-	-	(604)	-	604	-	-	-
Effect of adopting MFRS	-	-	-	1,266	(1,266)	-	-	-
At 1 January 2012, restated	204,107	(5,561)	129,788	3,340	183,719	515,393	124,583	639,976
Foreign currency translation differences for foreign operations	-	-	-	(4,559)	-	(4,559)	(151)	(4,710)
Profit for the period	-	-	-	-	52,707	52,707	24,801	77,508
Total comprehensive income for the period	-	-	-	(4,559)	52,707	48,148	24,650	72,798
Share-based payments	-	-	6,207	-	-	6,207	630	6,837
Dividends to owner of the Company	-	-	-	-	(15,241)	(15,241)	-	(15,241)
Dividends to non-controlling interest	-	-	-	-	-	-	(6,225)	(6,225)
At 30 September 2012	<u>204,107</u>	<u>(5,561)</u>	<u>135,995</u>	<u>(1,219)</u>	<u>221,185</u>	<u>554,507</u>	<u>143,638</u>	<u>698,145</u>
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 options 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	<u>208,540</u>	<u>(5,561)</u>	<u>199,393</u>	<u>8,075</u>	<u>116,834</u>	<u>527,281</u>	<u>179,732</u>	<u>707,013</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 2012 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 2013 (3RD QUARTER)

	Unaudited YTD 30.9.2013 RM'000	Unaudited YTD 30.9.2012 RM'000
Profit before tax	87,544	89,983
Adjustment for:		
Depreciation and amortisation	40,787	37,558
Fair value adjustment on derivative instruments	3,666	2,522
Finance costs	30,285	32,891
Finance costs under MFRS 139	2	150
(Gain)/ loss on disposal of property, plant and equipments	(442)	(1,863)
Net Impairment loss on receivables	(10,826)	(10,604)
Interest income	(4,535)	(3,351)
Interest income under MFRS 139	(36)	(44)
Property, plant and equipment written off	3,045	191
Net provision for warranties	3,245	3,571
Share based payment	4,163	6,837
Share of profit of associates	(34,806)	(29,682)
Write-down of inventories	-	733
Operating profit before changes in working capital	122,092	128,892
Receivables, deposits and prepayments	179,390	(177,157)
Inventories	(31,597)	(9,982)
Payables and accruals	(135,289)	(61,304)
Amount due to/ (from) contract customers	165,772	157,061
Cash generated from/ (used in) operations	300,368	37,510
Net income taxes paid	(23,559)	(16,743)
Net cash generated from/(used in) operating activities	276,809	20,767
Cash flows from investing activities		
Additions to development expenditures	(3,294)	(811)
Dividend received from associates	9,534	19,643
Investment in associates	(4,164)	(2,447)
Interest received	4,535	3,351
Proceed from disposal of property, plant and equipment	6,911	7,882
Purchase of property, plant and equipment	(28,988)	(52,654)
Net cash used in investing activities	(15,466)	(25,036)
Cash flows from financing activities		
Dividend paid to owners of the Company	(7,774)	(15,241)
Dividend paid to non-controlling interest	(7,909)	(6,225)
Interest paid	(30,285)	(32,891)
Proceed from exercise of share options	7,772	-
Proceed from issuance of shares to non-controlling interests in subsidiary	2,064	-
Net drawdown/ (repayment) of loans and borrowings	(239,738)	(7,465)
Net cash generated from financing activities	(275,870)	(61,822)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2013 (3RD QUARTER)**

(cont'd)

	Unaudited YTD 30.9.2013 RM'000	Unaudited YTD 30.9.2012 RM'000
Currency translation differences	(4,050)	2,274
Net increase in cash and cash equivalents	(18,577)	(63,817)
Cash and cash equivalents at 1 January	320,285	315,834
Cash and cash equivalents at 30 September	301,708	252,017

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

	30.9.2013 RM'000	30.9.2012 RM'000
Cash and bank balances	195,194	158,345
Deposits placed with licensed banks	115,486	136,078
Cash and cash equivalents per balance sheet	310,680	294,423
Bank overdrafts	(8,972)	(42,406)
	301,708	252,017

(The Condensed Consolidated Cash Flow statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012 and the accompanying notes attached to the interim financial statements)

MUHIBBAH ENGINEERING (M) BHD
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**ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 30 SEPTEMBER 2013 (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 2012. 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 2012.

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 2012 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 July 2012 or 1 January 2013:

		<u>Effective Date</u>
• MFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities	1 January 2013
• MFRS 10	Consolidated Financial Statements	1 January 2013
• MFRS 11	Joint Arrangements	1 January 2013
• MFRS 12	Disclosure of Interest in Other Entities	1 January 2013
• MFRS 13	Fair Value Measurement	1 January 2013
• MFRS 119	Employee Benefits (revised)	1 January 2013
• MFRS 127	Separate Financial Statements	1 January 2013
• MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
• Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
• Amendments to MFRS 116	Property, Plant and Equipment	1 January 2013
• Amendments to MFRS 132	Financial Instrument: Presentation	1 January 2013
• Amendments to MFRS 134	Interim Financial Reporting	1 January 2013
• IC Int. 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

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>Effective Date</u>
• MFRS 9	Financial Instruments	1 January 2015
• Amendments to MFRS 10	Consolidated Financial Statements: Investment Entities	1 January 2014
• Amendments to MFRS 12	Disclosure of Interests in Other Entities: Investment Entities	1 January 2014
• Amendments to MFRS 127	Separate Financial Statements (2011): Investment Entities	1 January 2014
• Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014

The initial application of a standard which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

3. QUALIFICATION OF PRECEDING YEAR'S AUDITED FINANCIAL STATEMENTS

The Auditors' Report of the financial statements for the preceding financial year ended 31 December 2012 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 other than as disclosed.

6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in prior interim periods and prior financial years that have a material effect in the current quarter under review.

7. DEBT AND EQUITY SECURITIES

During the 9 months period ended 30 Septmber 2013, a total of 8,833,000 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 ordinary dividend of 2.50 sen per ordinary share of RM0.50 each totalling RM7.774 million in respect of the year ended 31 December 2012 was paid on 29 August 2013.

9. SEGMENT REVENUE AND RESULTS

Financial data by business segment for the Group:

	Period ended 30.9.2013	
	Revenue RM'000	Profit/(Loss) before tax RM'000
Infrastructure construction	1,005,279	27,977
Cranes	507,046	51,534
Marine ship repair and ship building	161,239	34,559
Concession	-	29,357
	<hr/>	<hr/>
	1,673,564	143,427
Less: Group eliminations	(405,314)	(55,883)
	<hr/>	<hr/>
	<u>1,268,250</u>	<u>87,544</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 period to 22 November 2013.

12. MATERIAL CHANGES IN THE GROUP'S COMPOSITION

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

13. CONTINGENT LIABILITIES/ASSETS

Since the last annual balance sheet as at 31 December 2012, there were no material changes in the contingent liabilities of the Company:

Corporate guarantees for credit facilities granted to subsidiary companies	RM'000
	<u>100,623</u>

14. CAPITAL COMMITMENTS

There were no material capital commitments as at 30 September 2013 and up to 22 November 2013.

15. COMPARISON WITH PRECEDING QUARTER RESULTS (Q3 2013 vs. Q2 2013)

The Group reported a higher revenue of RM475.4 million with higher profit after tax of RM29.2 million for the quarter ended 30 September 2013 as compared to revenue and profit after tax of RM406.6 million and RM26.0 million respectively for the preceding quarter ended 30 June 2013.

The improvement in profit after tax is mainly contributed by cranes, shipyard and concessions divisions.

16. REVIEW OF GROUP PERFORMANCE (YTD Q3 2013 vs. YTD Q3 2012)

The Group reported a lower revenue of RM1.27 billion for the 9 months period ended 30 September 2013 as compared to RM 1.62 billion for the corresponding period in year 2012 mainly due to delivery of major construction projects in the previous year. Nevertheless, the Group is reporting similar profit after tax of RM77.5 million for the period under review.

Meanwhile, there is an increase in the net profit attributable to the owners of the Company (after minority interest) from RM52.7 million for the 9 months period ended 30 September 2012 to RM60.6 million for the current 9 months period. This is mainly because the Company has increased its equity interest in Favelle Favco Bhd (FFB), the crane listed subsidiary of the Company from 55.6% to 61.3% at the fourth quarter of 2012, whereby FFB had issued new ordinary shares to the Company in exchange for a factory in Sydney.

17. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 22 November 2013, the total outstanding secured order book in hand of the Group is RM2.13 billion with orders up to year 2016, comprises of RM1.00 billion from Infrastructure Construction Division, RM1.04 billion from Cranes Division and RM87 million from Shipyard Division.

b) Current Year Prospect

With the award by Petronas for the license for "Offshore Facilities Const-Major Onshore Fabrication" in June 2013, the Group has received invitation to participate for upcoming oil and gas projects. This is expected to have a positive contribution to the Muhibbah Group for the current and future financial years.

18. PROFIT FORECAST

The Group has not issued any profit forecast or profit guarantee during the current quarter under review.

19. OPERATING PROFIT

	Current Quarter 30.9.2013 RM'000	Cumulative Qtr To date 30.9.2013 RM'000
Operating profit is arrived at after (crediting)/charging the following:		
Depreciation and amortisation	14,025	40,787
Finance costs		
-Income statement	2,541	14,676
-contract cost	4,805	15,609
	<u>7,346</u>	<u>30,285</u>
Finance costs under MFRS 139	2	2
Interest income	(1,861)	(4,535)
Interest income under MFRS 139	(14)	(36)
(Gain)/loss on derivatives/ foreign exchange	(7,799)	(12,086)
(Gain)/loss on disposal of property, plant and equipment	(221)	(442)

20. TAXATION

	Current Quarter 30.9.2013 RM'000	Cumulative Qtr To date 30.9.2013 RM'000
Corporate tax expense		
Malaysia - current	4,480	(6,984)
Overseas - current	(2,314)	(2,743)
	2,166	(9,727)
Deferred tax expense		
Malaysia - current	(58)	(329)
Overseas - current	-	-
	(58)	(329)
Total tax expense	2,108	(10,056)

The Group's effective tax rate for the current 9 months period is lower than statutory tax rate mainly due to availability and utilisation of Group tax relief provision within the Group for the tax assessment year 2012.

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
	Sub- total		11,592
Unsecured	RM	74,940	74,940
	USD	753	2,454
	SGD	1,488	3,854
	Sub- total		81,248
b) Hire purchase and finance lease	RM	15	15
	Sub- total		15
Total Short Term Borrowings			92,855
a) Long term borrowings			
Secured	RM	49,939	49,939
	Sub-total		49,939
Unsecured	RM	91,617	91,617
	Sub-total		91,617
b) Hire purchase and finance lease	RM	17	17
	Sub-total		17
Total Long Term Borrowings			141,573
Total borrowings			234,428

23. MATERIAL LITIGATION

The ongoing material litigation of the Group as at 22 November 2013 are as follow:

i. Muhibbah-LTAT JV v Government of Malaysia

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 Naval Base Project at Sepangar Bay, Sabah is expected to be heard in February 2014.

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

ZAQ was wound up on 19 November 2013 by CIMB Bank Berhad. The case is now fixed on 10 February 2014 for case management for parties to determine their next course of action.

v. UEM Group Bhd v Muhibbah Engineering (M) Bhd ("Muhibbah" or "Company")

The Company's dispute of the Claim and challenge to the Request by UEM via the notification from the Secretariat of the ICC International Court of Arbitration-Asia Office was heard on 10 September 2013, in Singapore. The decision pursuant to such challenge to the Request is expected to be delivered by the end of the year.

24. EARNINGS PER SHARE ("EPS")

a) Basic EPS

	Basic EPS		Diluted EPS	
	Current	Cumulative	Current	Cumulative
	30.9.2013		30.9.2013	
Net profit attributable to the owners of the Company (RM'000)	20,106	60,638	20,106	60,638
Weighted average number of ordinary shares in issue ('000)	413,307	409,102	413,307	409,102
Effect of dilution:				
Share options ('000)	-	-	12,093	12,093
Warrants ('000)	-	-	11,936	11,936
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	413,307	409,102	437,336	433,131
EPS (Sen)	4.86	14.82	4.60	14.00

25. REALISED AND UNREALISED PROFITS/LOSSES

	As at 30.9.2013 RM'000	As at 31.12.2012 RM'000
Total retained profits/ (accumulated losses) of Muhibbah Engineering (M) Bhd and its subsidiaries:		
- Realised	147,559	112,489
- Unrealised	(64,261)	(51,889)
	83,298	60,600
Total retained profits/ (accumulated losses) from associated companies:		
- Realised	130,437	105,407
- Unrealised	158	(84)
	130,595	105,323
Less: Consolidation adjustments	(97,059)	(101,102)
Total Group retained profits	116,834	64,821

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 November 2013.

By order of the Board of Directors
Company Secretary
Date : 29 November 2013