

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

ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 31 DECEMBER 2014 (4TH QUARTER)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 31.12.2014 RM'000	AUDITED AS AT 31.12.2013 RM'000
Assets		
Property, plant and equipment	724,878	710,676
Investment in associates	235,899	190,301
Other non-current assets	30,979	29,612
Total non-current assets	991,756	930,589
Receivables, deposits and prepayments	756,504	664,230
Amount due from contract customers	577,362	412,335
Inventories	226,024	206,565
Current tax assets and other assets	12,526	10,143
Cash and cash equivalents	600,881	426,307
Total current assets	2,173,297	1,719,580
Total assets	3,165,053	2,650,169
Equity		
Share capital	215,744	211,214
Reserves	428,424	351,442
Total equity attributable to owners of the Company	644,168	562,656
Non-controlling interests	216,920	194,456
Total equity	861,088	757,112
Liabilities		
Payables and accruals	15,076	14,232
Loans and borrowings	69,268	137,296
Deferred tax liabilities	46,787	47,489
Total non-current liabilities	131,131	199,017
Provision, payables and accruals	625,739	539,707
Amount due to contract customers	340,711	408,161
Bills payables	788,358	616,600
Loans and borrowings	379,243	120,913
Tax liabilities and other liabilities	38,783	8,659
Total current liabilities	2,172,834	1,694,040
Total liabilities	2,303,965	1,893,057
Total equity and liabilities	3,165,053	2,650,169
Net assets per share attributable to owners of the Company (RM)	1.52	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 31 DECEMBER 2014 (4TH QUARTER)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
		31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Revenue		456,558	668,151	1,692,750	1,936,401
Cost of sales and operating expenses		(423,559)	(627,132)	(1,582,863)	(1,834,455)
Other income		(449)	1,075	1,187	2,993
Results from operating activities		32,550	42,094	111,074	104,939
Interest income (including MFRS 139)		3,676	2,625	9,390	7,196
Finance costs (including MFRS 139)		(11,089)	(11,459)	(23,129)	(26,137)
Operating profit		25,137	33,260	97,335	85,998
Share of profit after tax and minority interest of equity accounted associates		16,567	11,766	47,844	46,572
Profit before tax		41,704	45,026	145,179	132,570
Tax expense	20.	(10,196)	(6,299)	(33,665)	(16,355)
Profit for the period		31,508	38,727	111,514	116,215
Other comprehensive income					
Foreign currency translation differences for foreign operations		16,638	4,130	9,290	14,931
Other comprehensive income for the period		16,638	4,130	9,290	14,931
Total comprehensive income for the period		48,146	42,857	120,804	131,146
Profit attributable to:					
Owners of the Company		20,190	25,741	81,550	86,379
Non-controlling interests		11,318	12,986	29,964	29,836
Profit for the period		31,508	38,727	111,514	116,215
Total comprehensive income attributable to:					
Owners of the Company		36,828	29,926	93,293	100,103
Non-controlling interests		11,843	12,931	28,036	31,043
Total comprehensive income for the period		48,671	42,857	121,329	131,146
Earnings per ordinary share					
Basic (Sen)	24.	4.70	6.14	19.23	20.98
Diluted (Sen)	24.	4.33	5.78	17.69	19.74

(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 31 DECEMBER 2014 (4TH 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	-	-	-	13,609	-	13,609	1,207	14,816
Movement in revaluation of property, plant and equipment, net of tax	-	-	(346)	-	346	-	-	-
Crystallisation of deferred tax on disposal of revalued property, plant and equipment	-	-	-	-	115	115	-	115
Profit for the period	-	-	-	-	86,379	86,379	29,836	116,215
Total comprehensive income for the period	-	-	(346)	13,609	86,840	100,103	31,043	131,146
Share option exercised	7,090	-	5,388	-	-	12,478	2,629	15,107
Share-based payments	-	-	5,255	-	-	5,255	386	5,641
Issued of shares to non-controlling interest	-	-	-	-	-	-	493	493
Dilution of interest in subsidiary	-	-	-	-	(1,461)	(1,461)	1,461	-
Dividends to owner of the Company	-	-	-	-	(7,774)	(7,774)	-	(7,774)
Dividends to non-controlling interest	-	-	-	-	-	-	(7,909)	(7,909)
At 31 DECEMBER 2013	<u>211,214</u>	<u>(5,561)</u>	<u>202,432</u>	<u>12,145</u>	<u>142,426</u>	<u>562,656</u>	<u>194,456</u>	<u>757,112</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	-	-	-	11,743	-	11,743	(1,928)	9,815
Profit for the period	-	-	-	-	81,550	81,550	29,964	111,514
Total comprehensive income for the period	-	-	-	11,743	81,550	93,293	28,036	121,329
Share options exercised	4,530	-	3,635	-	-	8,165	2,047	10,212
Share-based payments	-	-	1,641	-	-	1,641	363	2,004
Acquisition of non-controlling interest	-	-	-	-	-	-	(3,338)	(3,338)
Issued of shares to non-controlling interest	-	-	-	-	-	-	1,382	1,382
Dilution of interest in subsidiary	-	-	-	-	(2,500)	(2,500)	2,500	-
Dividends to owner of the Company	-	-	-	-	(19,087)	(19,087)	-	(19,087)
Dividends to non-controlling interest	-	-	-	-	-	-	(8,526)	(8,526)
At 31 December 2014	<u>215,744</u>	<u>(5,561)</u>	<u>207,708</u>	<u>23,888</u>	<u>202,389</u>	<u>644,168</u>	<u>216,920</u>	<u>861,088</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 31 DECEMBER 2014 (4TH QUARTER)

	Unaudited YTD 31.12.2014 RM'000	Unaudited YTD 31.12.2013 RM'000
Profit before tax	145,179	132,570
Adjustment for:		
Depreciation and amortisation	60,307	54,400
Fair value adjustment on derivative instruments	22,707	3,296
Finance costs	36,519	39,545
Finance costs under MFRS 139	3,274	7,281
(Gain)/ loss on disposal of property, plant and equipments	2,826	121
Gain on disposal of investment property	-	(701)
Net impairment loss on development costs	1,093	1,262
Net impairment loss on receivables	(3,417)	(10,346)
Net impairment loss on other investments	12	(29)
Net impairment loss on property, plant and equipment	-	3,885
Interest income	(4,718)	(5,769)
Interest income under MFRS 139	(4,672)	(1,427)
Property, plant and equipment written off	324	3,571
Net provision for warranties	8,014	2,835
Share based payment	2,347	5,641
Share of profit of associates	(47,844)	(46,572)
Write-down of inventories	-	3,842
Operating profit before changes in working capital	221,951	193,405
Receivables, deposits and prepayments	(94,642)	253,712
Inventories	(20,019)	(12,744)
Payables and accruals	91,083	(70,788)
Amount due to/ (from) contract customers	(232,477)	35,589
Cash generated from/ (used in) operations	(34,104)	399,174
Net income taxes paid	(38,746)	(31,316)
Net cash generated from/(used in) operating activities	(72,850)	367,858
Cash flows from investing activities		
Additions to development expenditures	(3,656)	(6,083)
Acquisition of subsidiary, net of cash inflow	18	-
Acquisition of non-controlling interest	(3,253)	-
Dividend received from associates	13,016	39,620
Investment in associates	-	(4,165)
Interest received	4,718	5,769
Proceed from disposal of property, plant and equipment	10,197	7,812
Purchase of property, plant and equipment	(56,590)	(38,333)
Net cash used in investing activities	(35,550)	4,620
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)	(39,545)
Proceed from exercise of share options	3,111	12,478
Proceed from issuance of shares to non-controlling interests of a subsidiary	2,467	3,122
Net drawdown/ (repayment) of loans and borrowings	327,593	(227,000)
Net cash used in financing activities	281,039	(266,628)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2014 (4TH QUARTER)
(cont'd)**

	Unaudited YTD 31.12.2014 RM'000	Unaudited YTD 31.12.2013 RM'000
Currency translation differences	(4,145)	(4,488)
Net increase in cash and cash equivalents	168,494	101,362
Cash and cash equivalents at 1 January	421,647	320,285
Cash and cash equivalents at 31 December	<u>590,141</u>	<u>421,647</u>

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

	31.12.2014 RM'000	31.12.2013 RM'000
Cash and bank balances	302,104	217,334
Deposits placed with licensed banks	298,908	208,973
Cash and cash equivalents per balance sheet	601,012	426,307
Bank overdrafts	(10,871)	(4,660)
	<u>590,141</u>	<u>421,647</u>

(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 31 DECEMBER 2014 (4TH 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:

<u>MFRSs and IC Interpretations</u> <u>(Including the Consequential Amendments)</u>	<u>Effective Date</u>
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
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 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	1 January 2015
É MFRS 9 (2010) Financial Instruments	1 January 2015
É MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 7, MFRS 9 and MFRS 139)	1 January 2015
É Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures	1 January 2015

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 12 months financial period ended 31 December 2014, a total of 9,036,000 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

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.

The Directors recommended that a first and final tax exempt dividend of 8% (4.00 sen) per ordinary share of RM0.50 totaling RM17.275 million for the year ended 31 December 2014, subject to approval of the shareholders at the forthcoming Annual General Meeting.

9. SEGMENT REVENUE AND RESULTS

Financial data by business segment for the Group:

	Period ended 31.12.2014	
	Revenue RM'000	Profit/(Loss) before tax RM'000
Infrastructure construction	1,081,941	33,433
Cranes	797,895	112,296
Marine ship repair and ship building	222,512	47,750
Concession	-	49,260
	<hr/>	<hr/>
	2,102,348	242,739
Less: Group eliminations	(409,598)	(97,560)
	<hr/>	<hr/>
	<u>1,692,750</u>	<u>145,179</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 February 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 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>165,541</u>
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14. CAPITAL COMMITMENTS

There were no material capital commitments as at 31 December 2014 and up to 20 February 2015.

15. COMPARISON WITH PRECEDING QUARTER RESULTS (Q4 2014 vs. Q3 2014)

The Group's revenue is RM456.6 million with a profit before tax of RM41.7 million for the current quarter ended 31 December 2014 as compared to revenue and profit before tax of RM376.1 million and RM27.9 million respectively in the preceding quarter ended 30 September 2014. The improvement in both revenue and profit before tax is mainly contributed by the crane and concession divisions.

16. REVIEW OF GROUP PERFORMANCE (YTD Q4 2014 vs. YTD Q4 2013)

The Group reported revenue of RM1.69 billion with profit before tax of RM145 million for the 12 months ended 31 December 2014 in comparison to revenue of RM1.94 billion with profit before tax of RM133 million in the previous corresponding year ended 31 December 2013.

The improvement in profit before tax is mainly from the crane division with deliveries of more cranes and the concession division. These divisions revenues are mainly in USD and hence are also beneficiaries of strengthen of the USD.

17. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 25 February 2015, the total outstanding secured order book in hand of the Group is RM1.9 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 USD27 billion (RM97 billion) which will span over a few years period. Since then PETRONAS has started awarding relevant packages for infrastructure and refinery plant packages. Muhibbah secured its first construction package for the RAPID project in January 2015 and the construction work scheduled to commence in the first quarter of 2015. The Company has also secured marine work in Samalaju Port & Westport in the 4th quarter of 2014.

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 31.12.2014 RM'000	Cumulative Qtr To date 31.12.2014 RM'000
Operating profit is arrived at after (crediting)/charging the following:		
Depreciation and amortisation	19,032	60,307
Finance costs		
-Income statement	7,834	19,855
-contract cost	4,166	16,664
	<u>12,000</u>	<u>36,519</u>
Finance costs under MFRS 139	3,255	3,274
Interest income	(926)	(4,718)
Interest income under MFRS 139	(2,750)	(4,672)
(Gain)/loss on derivatives/ foreign exchange	(8,198)	(12,381)
(Gain)/loss on disposal of property, plant and equipment	152	(3)

20. TAXATION

	Current Quarter 31.12.2014 RM'000	Cumulative Qtr To date 31.12.2014 RM'000
Corporate tax expense		
Malaysia - current	(10,432)	(32,594)
Overseas - current	(750)	(1,511)
	(11,182)	(34,105)
Deferred tax expense		
Malaysia - current	986	440
Overseas - current	-	-
	986	440
Total tax expense	(10,196)	(33,665)

The Group's effective tax rate for the current quarter ended 31 December 2014 is lower than statutory tax rate due to utilisation of Group's tax relief within some of Group's companies.

The current year effective tax rate of 22% is higher than last year of 18% mainly due to some underprovision of taxation in crane 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	16,882	16,882	
AUD	1,569	4,472	
Sub- total			21,354
Unsecured			
RM	352,842	352,842	
DKK	3,459	1,978	
USD	773	2,707	
EURO	82	349	
Sub- total			357,876
b) Hire purchase and finance lease			
RM	13	13	
Sub- total			13
Total Short Term Borrowings			379,243
a) Long term borrowings			
Secured			
RM	54,526	54,526	
Sub-total			54,526
Unsecured			
RM	14,741	14,741	
Sub-total			14,741
b) Hire purchase and finance lease			
RM	1	1	
Sub-total			1
Total Long Term Borrowings			69,268
Total borrowings			448,511

23. MATERIAL LITIGATION

The ongoing material litigation of the Group as at 20 February 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 (δFFBö) and FFB's subsidiary Favelle Favco Cranes (USA) Inc (δFFUö), 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 (δFFUö), 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 (δ Appealö) on the decision of the Court of First Instance to the Court of Appeal in Qatar. The Company is challenging the Appeal.

24. EARNINGS PER SHARE ("EPS")

a) Basic EPS

	Basic EPS		Diluted EPS	
	Current	Cumulative	Current	Cumulative
	31.12.2014		31.12.2014	
Net profit attributable to the owners of the Company (RM'000)	20,190	81,550	20,190	81,550
Weighted average number of ordinary shares in issue ('000)	429,610	424,050	429,610	424,050
Effect of dilution:				
Share options ('000)	-	-	10,025	10,025
Warrants ('000)	-	-	26,887	26,887
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	429,610	424,050	466,522	460,962
EPS (Sen)	4.70	19.23	4.33	17.69

25. REALISED AND UNREALISED PROFITS/LOSSES

	As at 31.12.2014 RM'000	As at 31.12.2013 RM'000
Total retained profits/ (accumulated losses) of Muhibbah Engineering (M) Bhd and its subsidiaries:		
- Realised	205,069	186,032
- Unrealised	(52,864)	(54,260)
	152,205	131,772
Total retained profits/ (accumulated losses) from associated companies:		
- Realised	159,383	112,790
- Unrealised	(3,878)	(516)
	155,505	112,274
Less: Consolidation adjustments	(105,321)	(101,620)
Total Group retained profits	202,389	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 26 February 2015.

By order of the Board of Directors
Company Secretary
Date : 26 February 2015