

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 2013 (1ST QUARTER)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 31.3.2013 RM'000	AUDITED AS AT 31.12.2012 RM'000
Assets		
Property, plant and equipment	711,230	718,477
Investment in associates	176,148	171,331
Goodwill and other intangible assets	1,528	-
Other non-current assets	16,391	18,360
Total non-current assets	905,297	908,168
Receivables, deposits and prepayments	707,529	917,718
Amount due from contract customers	453,557	456,683
Inventories	209,884	208,595
Current tax assets	2,917	4,837
Derivative assets	1,672	1,186
Cash and cash equivalents	331,011	336,743
Total current assets	1,706,570	1,925,762
Total assets	2,611,867	2,833,930
Equity		
Share capital	204,126	204,124
Reserves	271,471	249,931
Total equity attributable to owners of the Company	475,597	454,055
Non-controlling interests	169,526	166,353
Total equity	645,123	620,408
Liabilities		
Payables and accruals	14,132	14,017
Loans and borrowings	150,584	154,404
Deferred tax liabilities	46,482	46,006
Total non-current liabilities	211,198	214,427
Provision, payables and accruals	493,862	607,746
Amount due to contract customers	444,812	416,920
Bills payables	628,059	686,843
Derivative liabilities	112	73
Loans and borrowings	172,223	272,360
Tax liabilities	16,478	15,153
Total current liabilities	1,755,546	1,999,095
Total liabilities	1,966,744	2,213,522
Total equity and liabilities	2,611,867	2,833,930
Net assets per share attributable to owners of the Company (RM)	1.17	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)

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 2013 (1ST QUARTER)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
		31.3.2013 RM'000	31.3.2012 RM'000	31.3.2013 RM'000	31.3.2012 RM'000
Revenue		386,209	419,203	386,209	419,203
Cost of sales and operating expenses		(370,000)	(404,706)	(370,000)	(404,706)
Other income		3,624	3,808	3,624	3,808
Results from operating activities		19,833	18,305	19,833	18,305
Interest income (including MFRS 139)		1,935	992	1,935	992
Finance costs (including MFRS 139)		(4,835)	(5,050)	(4,835)	(5,050)
Operating profit		16,933	14,247	16,933	14,247
Share of profit after tax and minority interest of equity accounted associates		12,994	10,450	12,994	10,450
Profit before tax		29,927	24,697	29,927	24,697
Tax expense	19.	(7,647)	(3,584)	(7,647)	(3,584)
Profit for the period		22,280	21,113	22,280	21,113
Other comprehensive income					
Foreign currency translation differences for foreign operations		919	(2,975)	919	(2,975)
Other comprehensive income for the period		919	(2,975)	919	(2,975)
Total comprehensive income for the period		23,199	18,138	23,199	18,138
Profit attributable to:					
Owners of the Company		19,801	16,526	19,801	16,526
Non-controlling interests		2,479	4,587	2,479	4,587
Profit for the period		22,280	21,113	22,280	21,113
Total comprehensive income attributable to:					
Owners of the Company		20,321	13,330	20,321	13,330
Non-controlling interests		2,878	4,808	2,878	4,808
Total comprehensive income for the period		23,199	18,138	23,199	18,138
Earnings per ordinary share					
Basic (Sen)	24.	4.87	4.07	4.87	4.07
Diluted (Sen)	24.	4.84	3.88	4.84	3.88

(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

(Company No : 12737-K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2012 (1ST QUARTER)**

	Attributable to shareholders of the Company							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	Retained earnings RM'000	Total equity attributable to owners of the Company 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	-	-	-	(3,196)	-	(3,196)	221	(2,975)	
Profit for the period	-	-	-	-	16,526	16,526	4,587	21,113	
Total comprehensive income for the period	-	-	-	(3,196)	16,526	13,330	4,808	18,138	
Share-based payments	-	-	2,070	-	-	2,070	210	2,280	
At 31 March 2012	204,107	(5,561)	131,858	144	200,245	530,793	129,601	660,394	
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	-	-	-	520	-	520	399	919	
Profit for the period	-	-	-	-	19,801	19,801	2,479	22,280	
Total comprehensive income for the period	-	-	-	520	19,801	20,321	2,878	23,199	
Share options exercised	2	-	1	-	-	3	126	129	
Share-based payments	-	-	1,301	-	-	1,301	86	1,387	
Dilution of interest in subsidiary	-	-	-	-	(83)	(83)	83	-	
At 31 March 2013	204,126	(5,561)	193,437	(944)	84,539	475,597	169,526	645,123	

(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
(Company No : 12737-K)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2013 (1ST QUARTER)

	Unaudited YTD 31.3.2013 RM'000	Unaudited YTD 31.3.2012 RM'000
Profit before tax	29,927	24,697
Adjustment for:		
Depreciation and amortisation	13,490	13,141
Fair value adjustment on derivative instruments	(447)	4,098
Finance costs	10,438	12,648
Finance costs under MFRS 139	-	20
(Gain)/ loss on disposal of property, plant and equipments	(380)	(934)
Net Impairment loss on receivables	(47)	(946)
Interest income	(1,924)	(977)
Interest income under MFRS 139	(11)	(15)
Property, plant and equipment written off	173	111
Net provision for warranties	790	363
Share based payment	1,387	2,280
Share of profit of associates	(12,994)	(10,450)
Write-down of inventories	-	1,281
Operating profit before changes in working capital	40,402	45,317
Receivables, deposits and prepayments	210,398	(36,346)
Inventories	(1,289)	(21,345)
Payables and accruals	(114,568)	(197,384)
Amount due to/ (from) contract customers	31,018	103,690
Cash generated from/ (used in) operations	165,961	(106,068)
Net income taxes paid	(3,768)	(5,203)
Net cash generated from/(used in) operating activities	162,193	(111,271)
Cash flows from investing activities		
Dividend received from associates	8,400	4,200
Interest received	1,924	977
Proceed from disposal of property, plant and equipment	2,198	6,281
Purchase of property, plant and equipment	(7,025)	(11,667)
Net cash used in investing activities	5,497	(209)
Cash flows from financing activities		
Interest paid	(10,438)	(12,648)
Proceed from exercise of share options	3	-
Proceed from issuance of shares to non-controlling interests in subsidiary	126	-
Net drawdown/ (repayment) of loans and borrowings	(152,563)	114,165
Net cash generated from financing activities	(162,872)	101,517

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2013 (1ST QUARTER)**

(cont'd)

	Unaudited YTD 31.3.2013 RM'000	Unaudited YTD 31.3.2012 RM'000
Currency translation differences	(372)	3,435
Net increase in cash and cash equivalents	4,446	(6,528)
Cash and cash equivalents at 1 January	320,285	315,834
Cash and cash equivalents at 31 March	324,731	309,306

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

	31.3.2013 RM'000	31.3.2012 RM'000
Cash and bank balances	238,937	201,633
Deposits placed with licensed banks	92,074	118,701
Cash and cash equivalents per balance sheet	331,011	320,334
Bank overdrafts	(6,280)	(11,028)
	324,731	309,306

(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
(Company No : 12737-K)
(Incorporated in Malaysia)

ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2013 (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 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 period ended 31 March 2013, a total of 4,000 new ordinary shares of RM0.50 each 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

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 31.3.2013	
	Revenue RM'000	Profit/(Loss) before tax RM'000
Infrastructure construction	268,296	10,599
Cranes	163,633	14,817
Marine ship repair and ship building	57,242	9,916
Concession	-	11,659
	<hr/>	<hr/>
	489,171	46,991
Less: Group eliminations	(102,962)	(17,064)
	<hr/>	<hr/>
	<u>386,209</u>	<u>29,927</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 23 May 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>131,148</u>

14. CAPITAL COMMITMENTS

There were no material capital commitments as at 31 March 2013 and up to 23 May 2013.

15. COMPARISON WITH PRECEDING QUARTER RESULTS (Q1 2013 vs. Q4 2012)

The Group generated revenue of RM386.2 million and profit before tax of RM29.9 million for the quarter ended 31 March 2013 as compared to revenue and loss before tax of RM1 billion and RM125.0 million respectively in the preceding quarter ended 31 December 2012.

This variation is mainly because the Group has made full provision for the remaining net exposure of debts due from Asia Petroleum Hub Sdn Bhd ("APH") amounting to RM245 million during the forth quarter ended 31 December 2012.

16. REVIEW OF GROUP PERFORMANCE (YTD Q1 2013 vs. YTD Q1 2012)

For the current quater ended 31 March 2013, the Group recorded revenue of RM386.2 million with profit before tax of RM29.9 million as compare with revenue of RM419.2 million with profit before tax of RM24.7 million in the preceding quarter ended 31 March 2012.

The concession division has made commendable contribution, especially with the increased airport passengers arrivals for our airports operation in Cambodia.

17. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 23 May 2013, the total outstanding secured order book in hand of the Group is RM2.08 billion with orders up to year 2016, comprises of RM1.24 billion from Infrastructure Construction Division, RM645 million from Cranes Division and RM196 million from Shipyard Division.

b) Current Year Prospect

With the conclusion of General Election, more infrastructure projects will be rolled out under the Malaysia Economic Transformation Programme in near term. The Group will endeavour to secure those works and projects which are in line with our niche and track records as oil and gas specialist in the infrastructure, offshore platform cranes and offshore support vessel sectors.

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 31.3.2013 RM'000	Cumulative Qtr To date 31.3.2013 RM'000
Operating profit is arrived at after (crediting)/charging the following:		
Depreciation and amortisation	13,490	13,490
Finance costs		
-Income statement	4,835	4,835
-contract cost	5,603	5,603
	<u>10,438</u>	<u>10,438</u>
Finance costs under MFRS 139	-	-
Interest income	(1,924)	(1,924)
Interest income under MFRS 139	(11)	(11)
(Gain)/loss on derivatives/ foreign exchange	(2,185)	(2,185)
(Gain)/loss on disposal of property, plant and equipment	(380)	(380)

20. TAXATION

	Current Quarter 31.3.2013 RM'000	Cumulative Qtr To date 31.3.2013 RM'000
Corporate tax expense		
Malaysia - current	(6,777)	(6,777)
Overseas - current	(348)	(348)
	(7,125)	(7,125)
Deferred tax expense		
Malaysia - current	(522)	(522)
Overseas - current	-	-
	(522)	(522)
Total tax expense	(7,647)	(7,647)

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	12,324	12,324	
AUD	520	1,673	
Sub- total			13,997
Unsecured			
RM	158,050	158,050	
Sub- total			158,050
b) Hire purchase and finance lease			
RM	15	15	
DKK	303	161	
Sub- total			176
Total Short Term Borrowings			172,223
a) Long term borrowings			
Secured			
RM	55,735	55,735	
Sub-total			55,735
Unsecured			
RM	94,825	94,825	
Sub-total			94,825
b) Hire purchase and finance lease			
RM	24	24	
Sub-total			24
Total Long Term Borrowings			150,584
Total borrowings			322,807

23. MATERIAL LITIGATION

The ongoing material litigation of the Group as at 23 May 2013 are as follow:

i. QSA Marine Logistics Pte Ltd (“QSA”) v MEB

The third party claim by the owner of the said barge against the Company in the High Court of Malaya at Shah Alam has been dismissed by court on 25 March 2013. The Arbitration proceedings against the Company commenced by QSA in Singapore as previously reported remain ongoing.

ii. 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 second half of the year.

iii. 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.

iv. 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.

v. Muhibbah Engineering (M) Bhd (“Muhibbah”) v ZAQ Construction Sdn Bhd (“ZAQ”)

The Suit commenced by the Company against ZAQ in the High Court of Malaya at Kuala Lumpur, as previously reported remains ongoing.

vi. UEM Group Bhd v Muhibbah Engineering (M) Bhd (“Muhibbah” or “Company”)

As previously reported, 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, remain ongoing.

24. EARNINGS PER SHARE (“EPS”)

a) Basic EPS

	Basic EPS		Diluted EPS	
	Current	Cumulative	Current	Cumulative
	31.3.2013		31.3.2013	
Net profit attributable to the owners of the Company (RM'000)	19,801	19,801	19,801	19,801
Weighted average number of ordinary shares in issue ('000)	406,466	406,466	406,466	406,466
Effect of dilution: Share options ('000)	-	-	3,059	3,059
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	406,466	406,466	409,525	409,525
EPS (Sen)	4.87	4.87	4.84	4.84

25. REALISED AND UNREALISED PROFITS/LOSSES

	As at 31.3.2013 RM'000	As at 31.12.2012 RM'000
Total retained profits/ (accumulated losses) of Muhibbah Engineering (M) Bhd and its subsidiaries:		
- Realised	140,822	112,489
- Unrealised	(73,923)	(51,889)
	66,899	60,600
Total retained profits/ (accumulated losses) from associated companies:		
- Realised	110,010	105,407
- Unrealised	(94)	(84)
	109,916	105,323
Less: Consolidation adjustments	(92,276)	(101,102)
Total Group retained profits	84,539	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 30 May 2013.

By order of the Board of Directors
Company Secretary
Date : 31 May 2013