

MUHIBBAH ENGINEERING (M) BHD

(Company No : 12737-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	UNAUDITED AS AT 30.6.2017 RM'000	AUDITED AS AT 31.12.2016 RM'000
Assets		
Property, plant and equipment	776,884	801,363
Investment in associates	492,012	436,924
Other non-current assets	42,359	48,028
Total non-current assets	1,311,255	1,286,315
Receivables, deposits and prepayments	815,332	704,292
Amount due from contract customers	606,024	1,088,956
Inventories	281,721	265,906
Current tax assets and other assets	30,933	19,573
Cash and cash equivalents	657,385	737,605
Total current assets	2,391,395	2,816,332
Total assets	3,702,650	4,102,647
Equity		
Share capital	241,058	241,058
Reserves	756,084	735,145
Total equity attributable to owners of the Company	997,142	976,203
Non-controlling interests	431,374	404,333
Total equity	1,428,516	1,380,536
Liabilities		
Payables and accruals	11,815	13,517
Loans and borrowings	89,625	73,101
Deferred tax liabilities	56,482	56,696
Total non-current liabilities	157,922	143,314
Provision, payables and accruals	727,449	1,023,529
Amount due to contract customers	373,405	270,422
Dividend payable	26,419	-
Bills payables	609,665	728,507
Loans and borrowings	369,669	532,208
Tax liabilities and other liabilities	9,605	24,131
Total current liabilities	2,116,212	2,578,797
Total liabilities	2,274,134	2,722,111
Total equity and liabilities	3,702,650	4,102,647
Net assets per share attributable to owners of the Company (RM)	2.08	2.03

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements)

MUHIBBAH ENGINEERING (M) BHD

(Company No : 12737-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2017 (2ND QUARTER)

(The figures have not been audited)

	Note	Current/Preceding Qtr Ended		Cumulative Qtr	
		30.6.2017 RM'000	30.6.2016 Restated RM'000	30.6.2017 RM'000	30.6.2016 Restated RM'000
Revenue	A9	467,848	406,298	709,335	888,074
Cost of sales, other income and operating expenses		(442,441)	(371,760)	(661,444)	(835,392)
Results from operating activities		25,407	34,538	47,891	52,682
Interest income (including MFRS 139)		1,158	2,515	2,949	4,926
Finance costs (including MFRS 139)		(5,304)	(8,132)	(14,021)	(13,014)
Operating profit	B5	21,261	28,921	36,819	44,594
Share of profit of associates, net of tax		42,304	19,015	75,619	44,995
Profit before tax		63,565	47,936	112,438	89,589
Tax expense	B6	(9,823)	(8,170)	(14,323)	(16,289)
Profit for the period		53,742	39,766	98,115	73,300
Other comprehensive income/(expenses)					
Foreign currency translation differences for foreign operations		(19,147)	26,298	(23,716)	12,993
Other comprehensive income/(expense) for the period		(19,147)	26,298	(23,716)	12,993
Total comprehensive income for the period		34,595	66,064	74,399	86,293
Profit attributable to:					
Owners of the Company		37,831	26,810	67,145	50,560
Non-controlling interests		15,911	12,956	30,970	22,740
Profit for the period		53,742	39,766	98,115	73,300
Total comprehensive income attributable to:					
Owners of the Company		23,562	38,293	47,358	51,281
Non-controlling interests		11,033	27,771	27,041	35,012
Total comprehensive income for the period		34,595	66,064	74,399	86,293
Earnings per ordinary share					
Basic (Sen)	B11	7.88	5.67	13.98	10.74
Diluted (Sen)	B11	7.88	5.62	13.98	10.63

(The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements)

MUHIBBAH ENGINEERING (M) BHD

(Company No : 12737-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2017 (2ND QUARTER)

(The figures have not been audited)

	← Attributable to shareholders of the Company →							
	Share capital RM'000	Treasury shares RM'000	Non-distributable		Distributable	Total equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
Reserves attributable to capital RM'000			Reserve attributable to revenue RM'000	Retained earnings RM'000				
At 1 January 2017	241,058	(5,561)	259,355	113,481	367,870	976,203	404,333	1,380,536
Foreign currency translation differences for foreign operations	-	-	-	(19,787)	-	(19,787)	(3,929)	(23,716)
Profit for the period	-	-	-	-	67,145	67,145	30,970	98,115
Total comprehensive income for the period	-	-	-	(19,787)	67,145	47,358	27,041	74,399
Dividend to owners of the Company	-	-	-	-	(26,419)	(26,419)	-	(26,419)
At 30 June 2017	241,058	(5,561)	259,355	93,694	408,596	997,142	431,374	1,428,516
At 1 January 2016								
As previously stated	235,297	(5,561)	256,344	67,850	262,116	816,046	267,753	1,083,799
Prior year adjustments	-	-	-	(2,310)	25,305	22,995	76,426	99,421
Restated	235,297	(5,561)	256,344	65,540	287,421	839,041	344,179	1,183,220
Foreign currency translation differences for foreign operations	-	-	-	721	-	721	12,272	12,993
Profit for the period	-	-	-	-	50,560	50,560	22,740	73,300
Total comprehensive income for the period	-	-	-	721	50,560	51,281	35,012	86,293
Share options exercised	1,823	-	1,386	-	-	3,209	2,561	5,770
Acquisition of non-controlling interests	-	-	-	-	-	-	(693)	(693)
Dilution of interest in subsidiary	-	-	-	-	(1,954)	(1,954)	1,954	-
Dividend to owners of the Company	-	-	-	-	(24,004)	(24,004)	-	(24,004)
Dividend to non-controlling interests	-	-	-	-	-	-	(6,114)	(6,114)
At 30 June 2016	237,120	(5,561)	257,730	66,261	312,023	867,573	376,899	1,244,472

(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 2016 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 30 JUNE 2017 (2ND QUARTER)**

	Unaudited Period ended 30.6.2017 RM'000	Unaudited Period ended 30.6.2016 Restated RM'000
Cash flows from operating activities		
Profit before tax	112,438	89,589
Adjustment for:		
Depreciation and amortisation	32,479	32,247
Write-back of development cost	-	(448)
Finance costs	24,092	30,517
Finance costs under MFRS 139	63	29
Gain on disposal of property, plant and equipment	(634)	(488)
Net reversal of impairment loss on receivables	(4,193)	(4,892)
Gain on derivatives	(17,205)	(34,635)
Net loss on foreign exchange	4,406	38,532
Interest income	(2,918)	(2,798)
Interest income under MFRS 139	(31)	(2,128)
Property, plant and equipment written off	-	6
Net provision for warranties	3,548	702
Share of profit of associates	(75,619)	(44,995)
Write-back of inventories	-	(172)
Operating profit before changes in working capital	76,426	101,066
Receivables, deposits and prepayments	(110,516)	(23,069)
Inventories	(15,815)	20,486
Payables and accruals	(301,650)	(2,247)
Amount due from contract customers	585,915	(111,965)
Cash generated from/(used in) operations	234,360	(15,729)
Net income taxes paid	(19,263)	(17,238)
Net cash generated from/(used in) operating activities	215,097	(32,967)
Cash flows from investing activities		
Additions to development expenditures	(365)	-
Acquisition of non-controlling interests	-	(693)
Dividend received from associates	4,253	38,538
Interest received	2,918	2,798
Proceeds from disposal of property, plant and equipment	2,980	3,933
Purchase of property, plant and equipment	(12,662)	(35,566)
Net cash (used in)/generated from investing activities	(2,876)	9,010

MUHIBBAH ENGINEERING (M) BHD

(Company No : 12737-K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017 (2ND QUARTER)**

	Unaudited Period ended 30.6.2017 RM'000	Unaudited Period ended 30.6.2016 Restated RM'000
Cash flows from financing activities		
Dividend paid to non-controlling interests	-	(4,218)
Interests paid	(24,092)	(30,517)
Proceeds from exercise of share options and warrants	-	3,209
Proceeds from issuance of shares to non-controlling interests of a subsidiary	-	2,561
Net (repayment)/drawdown of loans and borrowings	(366,802)	106,903
Net cash (used in)/generated from financing activities	(390,894)	77,938
Currency translation differences	(3,491)	31,347
Net (decrease)/increase in cash and cash equivalents	(182,164)	85,328
Cash and cash equivalents at 1 January	731,686	562,575
Cash and cash equivalents at 30 June	549,522	647,903

Cash and cash equivalents included in the cash flow statements comprise the following Statement of Financial Position amounts:

	30.6.2017 RM'000	30.6.2016 RM'000
Cash and bank balances	322,939	519,957
Deposits placed with licensed banks	334,446	137,900
Cash and cash equivalents as per Statement of Financial Position	657,385	657,857
Bank overdrafts	(107,863)	(9,954)
	549,522	647,903

(The Condensed Consolidated Cash Flow statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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 30 JUNE 2017 (2ND QUARTER)

A. NOTES TO INTERIM FINANCIAL STATEMENTS

A1. 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 2016. 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 2016.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2016 except for the adoption of the Amendments and Annual Improvements to Standards effective from 1 January 2017:

MFRSs and IC Interpretations

(Including the Consequential Amendments)

Effective Date

- | | |
|--|----------------|
| • Amendments to MFRS 107: Disclosure Initiative | 1 January 2017 |
| • Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses | 1 January 2017 |
| • Annual Improvements to MFRS Standards 2014 - 2016 Cycles | 1 January 2017 |
| - Amendments to MFRS 12: Clarification of the Scope of Standard | |

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:

MFRSs and IC Interpretations

(Including the Consequential Amendments)

Effective Date

- | | |
|---|-------------------------------|
| • MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014) | 1 January 2018 |
| • MFRS 15 Revenue from Contracts with Customers & Amendments to MFRS 15: Effective Date of MFRS 15 | 1 January 2018 |
| • IC Interpretation 22 Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| • Amendments to MFRS 2:
Classification and Measurement of Share-based Payment Transactions | 1 January 2018 |
| • Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts | 1 January 2018 |
| • Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers' | 1 January 2018 |
| • Amendments to MFRS 140: Transfers to Investment Property | 1 January 2018 |
| • Annual Improvements MFRS Standards 2014 - 2016 Cycles: | 1 January 2018 |
| - Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters | |
| - Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value | |
| • MFRS 16 Leases | 1 January 2019 |
| • Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred until further notice |

The initial application of the abovementioned standards, amendments or interpretations are not expected to have any material impacts to the financial statements of the Group upon first adoption except as follows:

A2. SIGNIFICANT ACCOUNTING POLICIES (continued)

MFRS 9 (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. The Group is currently assessing the financial impact of adopting MFRS 9.

MFRS 15: Revenue from Contracts with Customers & Amendments to MFRS 15: Effective Date of MFRS 15 & Amendments to MFRS 15: Clarifications to MFRS 15

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15. The Group anticipates the application of MFRS 15 in the future may have an impact on the amounts reports and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Group performs a detailed review.

A3. QUALIFICATION OF PRECEDING YEAR'S AUDITED FINANCIAL STATEMENTS

The Auditors' Report of the financial statements for the preceding financial year ended 31 December 2016 was not subject to any qualification.

A4. SEASONALITY OR CYCLICALITY OF OPERATIONS

The business operations of the Group were not significantly affected by any seasonal or cyclical factor.

A5. EXCEPTIONAL OR UNUSUAL ITEMS

There were no exceptional or unusual items affecting financial statements of the Group for the current quarter under review.

A6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of amounts that have a material effect in the current quarter under review.

A7. DEBT AND EQUITY SECURITIES

There were no issuance, repurchase and repayment of debt and equity securities for the quarter under review.

A8. DIVIDEND PAID

There was no dividend paid during the quarter under review.

A9. SEGMENT REVENUE AND RESULTS

Financial data by business segment for the Group:

	Period ended 30.6.2017	
	Revenue	Profit before tax
	RM'000	RM'000
Infrastructure construction	586,169	39,446
Cranes	265,985	37,823
Concessions	-	61,474
	852,154	138,743
Less: Group eliminations	(142,819)	(26,305)
	<u>709,335</u>	<u>112,438</u>

A10. 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.

A11. MATERIAL SUBSEQUENT EVENTS

There were no material subsequent events from the end of the current quarter to 23 August 2017, which was likely to substantially affect the results of the operations of the Company.

A12. CHANGES IN THE GROUP'S COMPOSITION

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

A13. CONTINGENT ASSETS/LIABILITIES

Please refer to note B9 for contingent assets/liabilities for the Group.

A14. CAPITAL COMMITMENTS

Capital commitments as at 30 June 2017 is approximately RM26 million.

--- The rest of this page has been intentionally left blank ---

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 2017 (2ND QUARTER)

B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1. REVIEW OF GROUP PERFORMANCE (YTD Q2 2017 vs. YTD Q2 2016)

The Group reported revenue of RM709.3 million with higher profit after taxation of RM98.1 million for the cumulative period ended 30 June 2017 as compared to revenue of RM888.1 million with profit after taxation of RM73.3 million for the corresponding period ended 30 June 2016. Net profit attributable to owners of the Company also has increased by 32.8% from RM50.6 million to RM67.1 million for the same corresponding period. The improvement is mainly contributed by additional change orders approved and collected from an oversea project of the construction division. Meanwhile, the concession division continues to generate better performance with growth in the airports passenger arrival and air cargo for all the three international airports in Cambodia.

B2. COMPARISON WITH PRECEDING QUARTER RESULTS (Q2 2017 vs. Q1 2017)

The Group reported higher revenue of RM467.8 million with profit after taxation of RM53.7 million for the current quarter as compared to revenue of RM241.5 million with profit after taxation of RM44.4 million for the preceding quarter. The increase in profit after taxation is mainly attributed to the improved performance of construction and crane divisions.

B3. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 23 August 2017, the total outstanding secured order book in hand of the Group is RM1.9 billion.

b) Current Year Prospect

The Group continues to pursue infrastructure and marine projects from both overseas and domestic markets.

B4. PROFIT FORECAST

The Group has not issued any profit forecast to the relevant authorities and is not subject to any profit guarantee.

B5. OPERATING PROFIT

	Current Quarter 30.6.2017 RM'000	Cumulative Qtr 30.6.2017 RM'000
Operating profit is arrived at after (crediting)/charging the following:		
Depreciation and amortisation	16,064	32,479
Finance costs		
-Income statement	5,273	13,958
-Contract cost	6,559	10,134
	11,832	24,092
Finance costs under MFRS 139	31	63
Interest income	(1,143)	(2,918)
Interest income under MFRS 139	(15)	(31)
Net loss on foreign exchange	511	4,406
Gain on derivatives	(3,598)	(17,205)
Gain on disposal of property, plant and equipment	(11)	(634)
Net reversal of impairment loss on receivables	(799)	(4,193)
Other income	(1,519)	(1,980)
	<u>(1,519)</u>	<u>(1,980)</u>

B6. TAXATION

	Current Quarter 30.6.2017 RM'000	Cumulative Qtr 30.6.2017 RM'000
Current tax expense		
Malaysia	(1,130)	(2,707)
Overseas	(7,479)	(7,880)
	(8,609)	(10,587)
Deferred tax expense		
Malaysia	(1,214)	(3,736)
Overseas	-	-
	(1,214)	(3,736)
Total tax expense	<u>(9,823)</u>	<u>(14,323)</u>

The Group's effective tax rate (excluding the results of associates which are equity accounted net of tax) is higher than statutory tax rate mainly due to non available of group tax relief in different countries and non-deductibility of certain operating expenses for tax purposes.

B7. CORPORATE PROPOSALS

On 22 June 2017, shareholders of the Company approved the proposed establishment of a new Share Issuance Scheme for the eligible Directors and employees. Other than as disclosed above, there were no other outstanding corporate proposal announced by the Company but not yet completed as at the date of this report.

B8. GROUP BORROWINGS AND DEBT SECURITIES

	Foreign Currency		30.6.2017
	Currency	Amount	RM'000
Short term borrowings		'000	
Secured	RM	15,313	15,313
	AUD	279	922
	Sub- total		16,235
Unsecured	RM	353,434	353,434
Total Short Term Borrowings	Sub- total		369,669
Long term borrowings			
Secured	RM	18,217	18,217
Unsecured	RM	71,408	71,408
Total Long Term Borrowings			89,625
Total borrowings			459,294

B9. CHANGES IN MATERIAL LITIGATION

The on-going material litigation of the Group as at 23 August 2017 are as follow:

Nominated Subcontractors for Hamad International Airport Project

The Company is disputing the alleged claims from two Nominated Subcontractors for Hamad International Airport, namely Eisenmann Anlagenbau GmbH & Co. KG and Envac Scandinavia A.B., amounting to a total of QAR70.1 million and has filed a counter claim against Envac Scandinavia A.B. The abovementioned arbitration cases are ongoing. Meanwhile, the Company has successfully resolved favourably the claim by Herbert Kannegiesser GmbH, another Nominated Subcontractor during the last quarter.

B10. PROPOSED DIVIDEND

The Directors did not recommend any interim dividend for the financial period under review.

B11. EARNINGS PER SHARE ("EPS")**Basic/Diluted EPS**

	Basic EPS		Diluted EPS	
	Current 30.6.2017	Cumulative	Current 30.6.2017	Cumulative
Net profit attributable to the owners of the Company (RM'000)	37,831	67,145	37,831	67,145
Weighted average number of ordinary shares in issue ('000)	480,331	480,331	480,331	480,331
Effect of dilution: Share options ('000)	-	-	-	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	480,331	480,331	480,331	480,331
EPS (Sen)	7.88	13.98	7.88	13.98

B12. REALISED AND UNREALISED PROFITS/(LOSSES)

	As at 30.6.2017 RM'000	As at 31.12.2016 RM'000
Total retained profits/ (accumulated losses) of Muhibbah Engineering (M) Bhd and its subsidiaries:		
- Realised	238,176	211,684
- Unrealised	(336)	80,892
	237,840	292,576
Total retained profits/ (accumulated losses) from associated companies:		
- Realised	267,313	210,569
- Unrealised	1,883	1,076
	269,196	211,645
Less: Consolidation adjustments	(98,441)	(136,351)
Total Group retained profits	408,595	367,870

B13. COMPARATIVE FIGURES

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

By order of the Board of Directors

Company Secretary

Date : 29 August 2017