

MUHIBBAH ENGINEERING (M) BHD

(Company No : 12737-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	UNAUDITED	AUDITED
	AS AT	AS AT
	31.3.2017	31.12.2016
	RM'000	RM'000
Assets		
Property, plant and equipment	788,491	801,363
Investment in associates	466,160	436,924
Other non-current assets	44,991	48,028
Total non-current assets	1,299,642	1,286,315
Receivables, deposits and prepayments	638,916	704,292
Amount due from contract customers	923,713	1,088,956
Inventories	279,884	265,906
Current tax assets and other assets	22,784	19,573
Cash and cash equivalents	541,098	737,605
Total current assets	2,406,395	2,816,332
Total assets	3,706,037	4,102,647
Equity		
Share capital	241,058	241,058
Reserves	758,941	735,145
Total equity attributable to owners of the Company	999,999	976,203
Non-controlling interests	420,341	404,333
Total equity	1,420,340	1,380,536
Liabilities		
Payables and accruals	13,380	13,517
Loans and borrowings	92,857	73,101
Deferred tax liabilities	56,716	56,696
Total non-current liabilities	162,953	143,314
Provision, payables and accruals	608,719	1,023,529
Amount due to contract customers	311,400	270,422
Bills payables	663,413	728,507
Loans and borrowings	529,920	532,208
Tax liabilities and other liabilities	9,292	24,131
Total current liabilities	2,122,744	2,578,797
Total liabilities	2,285,697	2,722,111
Total equity and liabilities	3,706,037	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 31 MARCH 2017 (1ST QUARTER)

(The figures have not been audited)

	Note	Current/Preceding Qtr Ended		Cumulative Qtr	
		31.3.2017 RM'000	31.3.2016 Restated RM'000	31.3.2017 RM'000	31.3.2016 Restated RM'000
Revenue	A9	241,487	481,776	241,487	481,776
Cost of sales, other income and operating expenses		(219,003)	(463,632)	(219,003)	(463,632)
Results from operating activities		22,484	18,144	22,484	18,144
Interest income (including MFRS 139)		1,791	2,411	1,791	2,411
Finance costs (including MFRS 139)		(8,717)	(4,882)	(8,717)	(4,882)
Operating profit	B5	15,558	15,673	15,558	15,673
Share of profit of associates, net of tax		33,315	25,980	33,315	25,980
Profit before tax		48,873	41,653	48,873	41,653
Tax benefit/(expense)	B6	(4,500)	(8,119)	(4,500)	(8,119)
Profit for the period		44,373	33,534	44,373	33,534
Other comprehensive income/(expenses)					
Foreign currency translation differences for foreign operations		(4,569)	(13,305)	(4,569)	(13,305)
Other comprehensive income/(expense) for the period		(4,569)	(13,305)	(4,569)	(13,305)
Total comprehensive income for the period		39,804	20,229	39,804	20,229
Profit attributable to:					
Owners of the Company		29,314	23,750	29,314	23,750
Non-controlling interests		15,059	9,784	15,059	9,784
Profit for the period		44,373	33,534	44,373	33,534
Total comprehensive income attributable to:					
Owners of the Company		23,796	12,988	23,796	12,988
Non-controlling interests		16,008	7,241	16,008	7,241
Total comprehensive income for the period		39,804	20,229	39,804	20,229
Earnings per ordinary share					
Basic (Sen)	B11	6.10	5.06	6.10	5.06
Diluted (Sen)	B11	6.10	4.99	6.10	4.99

(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 31 MARCH 2017 (1ST QUARTER)

(The figures have not been audited)

	← Attributable to shareholders of the Company →								
	Non-distributable				Distributable		Total equity attributable to owners of the Company RM'000	Non- controlling interests RM'000	Total equity 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 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	-	-	-	(5,518)	-	(5,518)	949	(4,569)	
Profit for the year	-	-	-	-	29,314	29,314	15,059	44,373	
Total comprehensive income for the year	-	-	-	(5,518)	29,314	23,796	16,008	39,804	
At 31 March 2017	241,058	(5,561)	259,355	107,963	397,184	999,999	420,341	1,420,340	
At 1 January 2016	235,297	(5,561)	256,344	67,850	262,116	816,046	267,753	1,083,799	
As previously stated	-	-	-	(2,310)	25,305	22,995	76,426	99,421	
Prior year adjustments	235,297	(5,561)	256,344	65,540	287,421	839,041	344,179	1,183,220	
Restated	-	-	-	(10,762)	-	(10,762)	(2,543)	(13,305)	
Foreign currency translation differences for foreign operations	-	-	-	-	23,750	23,750	9,784	33,534	
Profit for the year	-	-	-	(10,762)	23,750	12,988	7,241	20,229	
Total comprehensive income for the year	249	-	190	-	-	439	1,461	1,900	
Share options exercised	-	-	-	-	-	-	(693)	(693)	
Acquisition of non-controlling interests	-	-	-	-	(853)	(853)	853	-	
Dilution of interest in subsidiary	235,546	(5,561)	256,534	54,778	310,318	851,615	353,041	1,204,656	
At 31 March 2016									

(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

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017 (1ST QUARTER)**

	Unaudited Period ended 31.3.2017 RM'000	Unaudited Period ended 31.3.2016 Restated RM'000
Cash flows from operating activities		
Profit before tax	48,873	41,653
Adjustment for:		
Depreciation and amortisation	16,415	15,825
Development cost charged to cost of sales/impaired	-	231
Finance costs	31,682	17,144
Finance costs under MFRS 139	32	16
(Gain)/Loss on disposal of property, plant and equipment	(623)	(115)
Net reversal of impairment loss on receivables	(3,394)	363
(Gain)/Loss on derivatives	(13,607)	(76,273)
Net loss/(gain) on foreign exchange	3,895	84,784
Interest income	(1,775)	(1,513)
Interest income under MFRS 139	(16)	(898)
Property, plant and equipment written off	-	1
Net (reversal)/provision for warranties	1,811	(854)
Share of profit of associates	(33,315)	(25,980)
Write-back of inventories	-	(172)
Operating profit before changes in working capital	49,978	54,212
Receivables, deposits and prepayments	65,070	(65,921)
Inventories	(13,979)	14,390
Payables and accruals	(417,066)	8,741
Amount due from contract customers	206,221	(59,169)
Cash generated from/(used in) operations	(109,776)	(47,747)
Net income taxes paid	(6,422)	(9,434)
Net cash generated from/(used in) operating activities	(116,198)	(57,181)
Cash flows from investing activities		
Additions to development expenditures	(192)	-
Acquisition of non-controlling interests	-	(693)
Interest received	1,775	1,513
Proceeds from disposal of property, plant and equipment	2,113	3,294
Purchase of property, plant and equipment	(4,810)	(14,776)
Net cash generated from/(used in) investing activities	(1,114)	(10,662)

MUHIBBAH ENGINEERING (M) BHD

(Company No : 12737-K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017 (1ST QUARTER)**

	Unaudited Period ended 31.3.2017 RM'000	Unaudited Period ended 31.12.2016 (Restated) RM'000
Cash flows from financing activities		
Interests paid	(31,682)	(17,144)
Proceeds from exercise of share options and warrants	-	439
Proceeds from issuance of shares to non-controlling interests of a subsidiary	-	1,461
Net drawdown/ (repayment) of loans and borrowings	(96,536)	90,618
Net cash generated from/(used in) financing activities	(128,218)	75,374
Currency translation differences	114	28,602
Net increase/(decrease) in cash and cash equivalents	(245,416)	36,133
Cash and cash equivalents at 1 January	731,686	562,575
Cash and cash equivalents at 31 March	486,270	598,708

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

	31.3.2017 RM'000	31.3.2016 RM'000
Cash and bank balances	261,600	541,763
Deposits placed with licensed banks	279,498	89,647
Cash and cash equivalents as per Statement of Financial Position	541,098	631,410
Bank overdrafts	(54,828)	(32,702)
	486,270	598,708

(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)
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ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2017 (1ST 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 other issuance, repurchase and repayment of debt and equity securities for the quarter under review.

A8. DIVIDEND PAID

There is no dividend paid during the quarter under review.

A9. SEGMENT REVENUE AND RESULTS

Financial data by business segment for the Group:

	Period ended 31.3.2017	
	Revenue	Profit before tax
	RM'000	RM'000
Infrastructure construction	233,135	23,497
Cranes	114,296	16,753
Concessions	-	31,706
	347,431	71,956
Less: Group eliminations	(105,944)	(23,083)
	<u>241,487</u>	<u>48,873</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 24 May 2017, which is 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 31 March 2017 is approximately RM30 million.

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MUHIBBAH ENGINEERING (M) BHD
(Company No : 12737-K)
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ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2017 (1ST QUARTER)

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

B1. REVIEW OF GROUP PERFORMANCE (YTD Q1 2017 vs. YTD Q1 2016)

The Group reported revenue of RM241.5 million with profit after taxation of RM44.4 million for the period ended 31 March 2017 as compared to revenue of RM481.8 million with profit after taxation of RM33.5 million for the corresponding period ended 31 March 2016. Net profit attributable to owners of the Company has increased by about 23.4% from RM23.8 million to RM29.3 million for the same corresponding period mainly due to higher contribution from our concessions division and higher taxation expense in first quarter of last year arisen from one off taxation payment for prior years of RM3.5 million.

B2. COMPARISON WITH PRECEDING QUARTER RESULTS (Q1 2017 vs. Q4 2016)

The Group reported a higher revenue of RM645.7 million in the preceding quarter ended 31 December 2016 as compared to revenue of RM241.5 million for the current quarter mainly due to timing of the delivery of works. However, net profit attributable to owners of the Company of RM29.3 million in the current quarter is comparable with net profit attributable to owners of the Company of RM32.4 million in the preceding quarter ended 31 December 2016 mainly due to the growth in contributions from the concessions division.

B3. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 24 May 2017, the total outstanding secured order book in hand of the Group is RM2.1 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 31.3.2017 RM'000	Cumulative Qtr 31.3.2017 RM'000
Operating profit is arrived at after (crediting)/charging the following:		
Depreciation and amortisation	16,415	16,415
Finance costs		
-Income statement	8,685	8,685
-Contract cost	22,997	22,997
	31,682	31,682
Finance costs under MFRS 139	32	32
Interest income	(1,775)	(1,775)
Interest income under MFRS 139	(16)	(16)
Net (Gain)/Loss on foreign exchange	3,895	3,895
(Gain)/Loss on derivatives	(13,607)	(13,607)
(Gain)/Loss on disposal of property, plant and equipment	(623)	(623)
Net reversal of impairment loss on receivables	(3,394)	(3,394)
Other income	(461)	(461)

B6. TAXATION

	Current Quarter 31.3.2017 RM'000	Cumulative Qtr 31.3.2017 RM'000
Current tax expense		
Malaysia	(1,577)	(1,577)
Overseas	(401)	(401)
	(1,978)	(1,978)
Deferred tax expense		
Malaysia	(2,522)	(2,522)
Overseas	-	-
	(2,522)	(2,522)
Total tax benefit/(expense)	<u>(4,500)</u>	<u>(4,500)</u>

The Group's effective tax rate (excluding the results of associates which are equity accounted net of tax) is slightly higher than statutory tax rate primarily due to some non deductible expenses.

B7. CORPORATE PROPOSALS

Save for the Proposed Establishment of a New Share Issuance Scheme which was announced on 9 May 2017, there is no other proposal announced by the Company but pending implementation as at the date of this report.

B8. GROUP BORROWINGS AND DEBT SECURITIES

	Foreign Currency		31.3.2017 RM'000
	Currency	Amount	
Short term borrowings		'000	
Secured	RM	15,313	15,313
	AUD	695	2,379
	Sub- total		17,692
Unsecured	RM	512,228	512,228
Total Short Term Borrowings	Sub- total		529,920
Long term borrowings			
Secured	RM	20,074	20,074
Unsecured	RM	72,783	72,783
Total Long Term Borrowings			92,857
Total borrowings			622,777

B9. CHANGES IN MATERIAL LITIGATION

The on-going material litigation of the Group as at 24 May 2017 are as follow:

Nominated Subcontractors for Hamad International Airport

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 current 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 31.3.2017	Cumulative 31.3.2017	Current 31.3.2017	Cumulative 31.3.2017
Net profit attributable to the owners of the Company (RM'000)	29,314	29,314	29,314	29,314
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)	6.10	6.10	6.10	6.10

B12. REALISED AND UNREALISED PROFITS/(LOSSES)

	As at 31.3.2017 RM'000	As at 31.12.2016 RM'000
Total retained profits/ (accumulated losses) of Muhibbah Engineering (M) Bhd and its subsidiaries:		
- Realised	277,469	211,684
- Unrealised	43,898	80,892
	321,367	292,576
Total retained profits/ (accumulated losses) from associated companies:		
- Realised	237,823	210,569
- Unrealised	1,047	1,076
	238,870	211,645
Less: Consolidation adjustments	(163,053)	(136,351)
Total Group retained profits /(accumulated losses)	397,184	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 : 31 May 2017