

**MUHIBBAH ENGINEERING (M) BHD**

(Company No : 12737-K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**AS AT 30 JUNE 2018**

	<b>UNAUDITED AS AT 30.6.2018 RM'000</b>	<b>AUDITED AS AT 31.12.2017 RM'000</b>
<b>Assets</b>		
Property, plant and equipment	876,320	887,980
Investment in associates	583,742	503,782
Other non-current assets	69,770	71,274
<b>Total non-current assets</b>	<b>1,529,832</b>	1,463,036
Receivables, deposits and prepayments	560,163	556,510
Amount due from contract customers	572,591	498,978
Inventories	182,006	232,185
Current tax assets and other assets	31,354	40,789
Cash and cash equivalents	456,639	626,511
<b>Total current assets</b>	<b>1,802,753</b>	1,954,973
<b>Total assets</b>	<b>3,332,585</b>	3,418,009
<b>Equity</b>		
Share capital	241,057	241,057
Reserves	811,550	810,682
<b>Total equity attributable to owners of the Company</b>	<b>1,052,607</b>	1,051,739
<b>Non-controlling interests</b>	<b>452,934</b>	429,695
<b>Total equity</b>	<b>1,505,541</b>	1,481,434
<b>Liabilities</b>		
Payables and accruals	9,233	9,283
Loans and borrowings	78,690	91,829
Deferred tax liabilities	48,174	47,380
<b>Total non-current liabilities</b>	<b>136,097</b>	148,492
Provision, payables and accruals	523,082	651,851
Amount due to contract customers	310,465	286,545
Bills payables	501,800	461,637
Loans and borrowings	343,396	373,218
Tax liabilities and other liabilities	12,204	14,832
<b>Total current liabilities</b>	<b>1,690,947</b>	1,788,083
<b>Total liabilities</b>	<b>1,827,044</b>	1,936,575
<b>Total equity and liabilities</b>	<b>3,332,585</b>	3,418,009
<b>Net assets per share attributable to owners of the Company (RM)</b>	<b>2.19</b>	2.19

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 2018 (2ND QUARTER)**

(The figures have not been audited)

	Note	Current/Preceding Qtr Ended		Cumulative Qtr	
		30.6.2018 RM'000	30.6.2017 RM'000	30.6.2018 RM'000	30.6.2017 RM'000
Revenue (Note 1a)	A9	311,617	467,848	560,706	709,335
Cost of sales, other income and operating expenses		(292,422)	(442,441)	(520,290)	(661,444)
<b>Results from operating activities</b>		<b>19,195</b>	25,407	<b>40,416</b>	47,891
Interest income		1,510	1,158	3,237	2,949
Finance costs		(6,243)	(5,304)	(11,660)	(14,021)
<b>Operating profit</b>	B5	<b>14,462</b>	21,261	<b>31,993</b>	36,819
Share of profit of associates and joint ventures, net of tax		35,503	42,304	81,457	75,619
<b>Profit before tax</b>	B5	<b>49,965</b>	63,565	<b>113,450</b>	112,438
Tax expense	B6	(5,495)	(9,823)	(9,602)	(14,323)
<b>Profit for the period</b>		<b>44,470</b>	53,742	<b>103,848</b>	98,115
<b>Other comprehensive income/(expenses)</b>					
Foreign currency translation differences for foreign operations		10,462	(19,147)	(24,079)	(23,716)
<b>Other comprehensive income/(expense) for the period</b>		<b>10,462</b>	(19,147)	<b>(24,079)</b>	(23,716)
<b>Total comprehensive income for the period</b>		<b>54,932</b>	34,595	<b>79,769</b>	74,399
<b>Profit attributable to:</b>					
Owners of the Company		32,998	37,831	69,175	67,145
Non-controlling interests		11,472	15,911	34,673	30,970
<b>Profit for the period</b>		<b>44,470</b>	53,742	<b>103,848</b>	98,115
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		43,296	23,562	55,823	47,358
Non-controlling interests		11,636	11,033	23,946	27,041
<b>Total comprehensive income for the period</b>		<b>54,932</b>	34,595	<b>79,769</b>	74,399
<b>Earnings per ordinary share</b>					
Basic (Sen)	B11	6.87	7.88	14.40	13.98
<b>Note (1a) - Proforma Revenue</b>			-		
Revenue as reported above		311,617	467,848	560,706	709,335
Share of revenue of associates and joint ventures		116,792	184,266	246,849	294,575
Total revenue		<b>428,409</b>	652,114	<b>807,555</b>	1,003,910

Note

The Group accounts for its investment in associates and joint venture using the equity method whereby the revenue of associates and joint venture projects are excluded from the Group's revenue in the Consolidated Statements of Comprehensive Income. This note (1a) shows the pro forma revenue of the Group including share of revenue of associates and joint venture projects.

(The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 2018 (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			
As previously stated	241,057	(5,561)	273,433	69,749	473,061	1,051,739	429,695	1,481,434
Adjustment for initial application of MFRS 9	-	-	-	-	(59,536)	(59,536)	(2,075)	(61,611)
<b>At 1 January 2018</b>	<b>241,057</b>	<b>(5,561)</b>	<b>273,433</b>	<b>69,749</b>	<b>413,525</b>	<b>992,203</b>	<b>427,620</b>	<b>1,419,823</b>
Foreign currency translation differences for foreign operations	-	-	-	(13,352)	-	(13,352)	(10,727)	(24,079)
Profit for the period	-	-	-	-	69,175	69,175	34,673	103,848
Total comprehensive income for the period	-	-	-	(13,352)	69,175	55,823	23,946	79,769
Share-based payments	-	-	4,581	-	-	4,581	1,368	5,949
<b>At 30 June 2018</b>	<b>241,057</b>	<b>(5,561)</b>	<b>278,014</b>	<b>56,397</b>	<b>482,700</b>	<b>1,052,607</b>	<b>452,934</b>	<b>1,505,541</b>
<b>At 1 January 2017</b>	<b>241,058</b>	<b>(5,561)</b>	<b>259,355</b>	<b>113,481</b>	<b>367,870</b>	<b>976,203</b>	<b>404,333</b>	<b>1,380,536</b>
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)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-
<b>At 30 June 2017</b>	<b>241,058</b>	<b>(5,561)</b>	<b>259,355</b>	<b>93,694</b>	<b>408,596</b>	<b>997,142</b>	<b>431,374</b>	<b>1,428,516</b>

(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 2017 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 2018 (2ND QUARTER)**

	<b>Unaudited Period ended 30.6.2018 RM'000</b>	<b>Unaudited Period ended 30.6.2017 RM'000</b>
<b>Cash flows from operating activities</b>		
<b>Profit before tax</b>	<b>113,450</b>	112,438
Depreciation and amortisation	23,813	32,479
Finance costs	15,260	24,092
Gain on disposal of property, plant and equipment	(301)	(634)
Net impairment loss on investment in associate	175	-
Net impairment loss/(recovery) on receivables	2,510	(4,193)
Net loss/(gain) on derivatives	6,467	(17,205)
Net loss/(gain) on foreign exchange	12,229	4,406
Interest income	(3,237)	(2,886)
Net provision for warranties	1,150	3,548
Share-based payments	2,974	-
Share of profit of associates & joint ventures	(81,457)	(75,619)
<b>Operating profit before changes in working capital</b>	<b>93,033</b>	76,426
Receivables, depos Net loss/(gain) on foreign exchange	(85,707)	(110,516)
Payables and accruals	(127,370)	(301,650)
<b>Cash generated from operations</b>	<b>(119,558)</b>	234,360
Net income taxes paid	(6,450)	(19,263)
<b>Net cash generated from operating activities</b>	<b>(126,008)</b>	215,097
<b>Cash flows from investing activities</b>		
Additions to development expenditures	(2,574)	(365)
Dividend received from associates	-	4,253
Interest received	3,181	2,886
Proceeds from disposal of property, plant and equipment	23,969	2,980
Purchase of property, plant and equipment	(32,557)	(12,630)
<b>Net cash used in investing activities</b>	<b>(7,981)</b>	(2,876)

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

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2018 (2ND QUARTER)**

	Unaudited Period ended 30.6.2018 RM'000	Unaudited Period ended 30.6.2017 RM'000
<b>Cash flows from financing activities</b>		
Interests paid	(15,205)	(24,092)
Net (repayment)/drawdown of loans and borrowings	(570)	(366,802)
<b>Net cash used in financing activities</b>	(15,775)	(390,894)
<b>Currency translation differences</b>	(17,880)	(3,491)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(167,644)	(182,164)
<b>Cash and cash equivalents at 1 January</b>	624,176	731,686
<b>Cash and cash equivalents at 30 June</b>	456,532	549,522

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

	30.6.2018 RM'000	30.6.2017 RM'000
Cash and bank balances	224,797	322,939
Deposits placed with licensed banks	231,842	334,446
Cash and cash equivalents as per Statement of Financial Position	456,639	657,385
Bank overdrafts	(107)	(107,863)
	456,532	549,522

(The Condensed Consolidated Cash Flow statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 2018 (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 2017. 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 2017.

**A2. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2017 except for the adoption of the Amendments and Annual Improvements to Standards effective from 1 January 2018:

<u>MFRSs and IC Interpretations</u> <u>(Including the Consequential Amendments)</u>	<u>Effective Date</u>
• MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
• Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
• Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
• MFRS 15 Revenue from Contracts with Customers	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 140: Transfers to Investment Property	1 January 2018
• Annual Improvements MFRS Standards 2014 - 2016 Cycles: - Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	1 January 2018
- Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

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:

<u>MFRSs and IC Interpretations</u> <u>(Including the Consequential Amendments)</u>	<u>Effective Date</u>
• MFRS 16 Leases	1 January 2019
• IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
• Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
• Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
• Annual Improvements MFRS Standards 2015 - 2017 Cycles:	1 January 2019

a) MFRS 9 Financial instruments

The Group adopted MFRS 9 Financial instruments on 1 January 2018. MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets and on hedge accounting.

MFRS 9 also replaces MFRS 139 with a forward-looking expected credit loss ("ECL") model. Under MFRS 9, loss allowances, will be measured on either 12 months ECLs or Lifetime ECLs. As allowed by the transitional provision of MFRS 9, the Group elected not to restate the comparatives.

Effects arising from the initial application of the new impairment model and the recognition of equity investments to FVTPL are as follows:

**Impact of adoption of MFRS 9  
to opening balance at 1 January 2018**

	<b>RM'000</b>
Decrease in retained earnings	59,536
Decrease in non-controlling interests	2,075
Decrease in trade and other receivables	58,230
Decrease in amount due from contract customers	4,990
Increase in deferred tax assets	1,609

b) MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111 Construction Contracts. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

The application of MFRS 15 does not have a material effect on the Group's financial statements.

**A3. QUALIFICATION OF PRECEDING YEAR'S AUDITED FINANCIAL STATEMENTS**

The Auditors' Report of the financial statements for the preceding financial year ended 31 December 2017 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 is no dividend paid during the quarter under review.

#### A9. SEGMENT REVENUE AND RESULTS

Financial data by business segment for the Group:

	Period ended 30.6.2018	
	Revenue	Profit before tax
	RM'000	RM'000
Infrastructure construction	561,348	31,910
Cranes	199,207	19,180
Concessions	171,842	77,415
	<hr/>	<hr/>
	932,397	128,505
Less: Group eliminations	(124,842)	(15,055)
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	807,555	113,450
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#### 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 30 August 2018, 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 approved and committed as at 30 June 2018 is approximately RM23 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 30 JUNE 2018 (2ND QUARTER)**

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

**B1. REVIEW OF GROUP PERFORMANCE (YTD Q2 2018 vs. YTD Q2 2017)**

The Group reported consolidated revenue (including share of associates and joint ventures' revenue) of RM807.5 million with profit after taxation of RM103.8 million for the cumulative period ended 30 June 2018 as compared to revenue (including share of associates and joint ventures' revenue) of RM1.0 billion with profit after taxation of RM98.1 million for the corresponding period ended 30 June 2017.

The improvement in profit after taxation (PAT) is mainly contributed by the construction division and airport concession division with higher passenger and cargo growth. The crane division registered lower profit mainly due to lower revenue from offshore cranes sales.

**B2. COMPARISON WITH PRECEDING QUARTER RESULTS (Q2 2018 vs. Q1 2018)**

The Group generated consolidated revenue (including share of associates and joint ventures' revenue) of RM428.4 million with lower profit after taxation of RM44.5 million for the current quarter as compared to revenue (including share of associates and joint ventures' revenue) of RM379.1 million with profit after taxation of RM59.3 million for the preceding quarter, mainly due to lower contribution from the construction division and crane division.

**B3. GROUP'S CURRENT YEAR PROSPECT**

**a) Secured Order Book**

As at 30 August 2018, the total outstanding secured order book in hand of the Group for construction and cranes division is RM2.0 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. PROFIT BEFORE TAX**

Profit before tax is arrived at after (crediting)/charging the following:

	<b>Current Quarter 30.6.2018 RM'000</b>	<b>Cumulative Quarter 30.6.2018 RM'000</b>
Depreciation and amortisation	7,259	23,813
Finance costs	6,196	15,260
Interest income	(1,483)	(3,237)
Net loss/(gain) on foreign exchange	(6,077)	12,229

**B6. TAXATION**

	<b>Current Quarter 30.6.2018 RM'000</b>	<b>Cumulative Quarter 30.6.2018 RM'000</b>
<b>Current tax expense</b>		
Malaysia	(5,071)	(8,911)
Overseas	(516)	(723)
	(5,587)	(9,634)
<b>Deferred tax income</b>		
Malaysia	92	32
Overseas	-	-
	92	32
<b>Total tax expense</b>	<u>(5,495)</u>	<u>(9,602)</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 different tax rates and no group tax relief applicable for different foreign jurisdictions .

**B7. CORPORATE PROPOSALS**

Save for the following proposal, there is no other proposal announced but pending implementation as at the date of this report:

Favelle Favco Bhd, a subsidiary of the Company listed on the Main Market of Bursa Malaysia Securities Berhad had on 28 March 2018, announced that it had entered into a conditional Share Purchase Agreement ("SPA") with the individual vendors of Exact Automation Sdn Bhd, Sedia Teguh Sdn Bhd, Exact Analytical Sdn Bhd and Exact Oil & Gas Sdn Bhd (the four (4) companies are collectively referred to as the "Target Companies") to acquire 70% equity interest in each of the Target Companies ("Proposed Acquisition"), at an indicative cash consideration ranging between RM90.7 million to RM143.1 million, subject to amongst others, the relevant profit thresholds to be met over the financial years ended 31 December 2017 to 2019 as well as the terms of the SPA.

This Proposed Acquisition had been successfully completed on 3 July 2018.

**B8. GROUP BORROWINGS AND DEBT SECURITIES**

	<b>Foreign Currency</b>		<b>30.6.2018 RM'000</b>
	<b>Currency</b>	<b>Amount</b>	
Short term borrowings		'000	
Secured			
RM		9,480	9,480
AUD		132	391
DKK		3,634	2,318
Sub- total			12,189
Unsecured			
RM		331,207	331,207
USD		-	-
DKK		-	-
Sub- total			331,207
<b>Total Short Term Borrowings</b>			<b>343,396</b>
Long term borrowings			
Secured			
RM		3,208	3,208
DKK		26,230	16,732
Sub- total			19,940
Unsecured			
RM		58,750	58,750
<b>Total Long Term Borrowings</b>			<b>78,690</b>
<b>Total gross borrowings</b>			<b>422,086</b>

**B9. CHANGES IN MATERIAL LITIGATION**

As at 30 August 2018, the on-going material litigation of the Group remains status quo.

**B10. PROPOSED DIVIDEND**

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

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

	Basic EPS		Diluted EPS	
	Current 30.6.2018	Cumulative 30.6.2018	Current 30.6.2018	Cumulative 30.6.2018
Net profit attributable to the owners of the Company (RM'000)	32,998	69,175	32,998	69,175
Weighted average number of ordinary shares in issue ('000)	480,331	480,331	480,331	480,331
Effect of dilution: Share options ('000)	-	-	10,342	10,342
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	480,331	480,331	490,673	490,673
EPS (Sen)	6.87	14.40	6.73	14.10

**By order of the Board of Directors**  
**Company Secretary**  
**Date : 30 August 2018**