

MUHIBBAH ENGINEERING (M) BHD

(Company No : 12737-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	UNAUDITED AS AT 30.6.2016 RM'000	AUDITED AS AT 31.12.2015 RM'000
Assets		
Property, plant and equipment	764,475	785,103
Investment in associates	249,224	257,351
Other non-current assets	64,904	52,768
Total non-current assets	1,078,603	1,095,222
Receivables, deposits and prepayments	819,934	827,663
Amount due from contract customers	802,805	720,077
Inventories	280,428	300,742
Current tax assets and other assets	26,948	21,539
Cash and cash equivalents	657,857	576,944
Total current assets	2,587,972	2,446,965
Total assets	3,666,575	3,542,187
Equity		
Share capital	237,120	235,297
Reserves	607,458	580,749
Total equity attributable to owners of the Company	844,578	816,046
Non-controlling interests	282,396	267,753
Total equity	1,126,974	1,083,799
Liabilities		
Payables and accruals	12,289	15,266
Loans and borrowings	83,507	48,914
Deferred tax liabilities	55,631	56,161
Total non-current liabilities	151,427	120,341
Provision, payables and accruals	701,959	663,421
Amount due to contract customers	391,432	420,669
Bills payables	849,215	838,334
Loans and borrowings	439,524	382,510
Tax liabilities and other liabilities	6,044	33,113
Total current liabilities	2,388,174	2,338,047
Total liabilities	2,539,601	2,458,388
Total equity and liabilities	3,666,575	3,542,187
Net assets per share attributable to owners of the Company (RM)	1.79	1.74

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 2016 (2ND QUARTER)

(The figures have not been audited)

	Note	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
		30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Revenue	A9	406,298	401,536	888,074	773,548
Cost of sales, other income and operating expenses		(371,760)	(369,359)	(835,392)	(715,106)
Results from operating activities		34,538	32,177	52,682	58,442
Interest income (including MFRS 139)		2,515	3,319	4,926	4,541
Finance costs (including MFRS 139)		(8,132)	(9,595)	(13,014)	(13,857)
Operating profit	B5	28,921	25,901	44,594	49,126
Share of profit after tax and minority interest of equity accounted associates		14,137	11,439	32,473	27,783
Profit before tax		43,058	37,340	77,067	76,909
Tax expense	B6	(8,170)	(11,242)	(16,289)	(18,797)
Profit for the period		34,888	26,098	60,778	58,112
Other comprehensive income					
Foreign currency translation differences for foreign operations		12,554	10,354	7,438	24,445
Other comprehensive income for the period		12,554	10,354	7,438	24,445
Total comprehensive income for the period		47,442	36,452	68,216	82,557
Profit attributable to:					
Owners of the Company		26,810	19,259	50,560	42,548
Non-controlling interests		8,078	6,839	10,218	15,564
Profit for the period		34,888	26,098	60,778	58,112
Total comprehensive income attributable to:					
Owners of the Company		38,293	27,365	51,281	65,512
Non-controlling interests		9,149	9,087	16,935	17,045
Total comprehensive income for the period		47,442	36,452	68,216	82,557
Earnings per ordinary share					
Basic (Sen)	B11	5.67	4.17	10.74	9.52
Diluted (Sen)	B11	5.62	4.10	10.63	9.36

(The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 2016 (2ND QUARTER)

(The figures have not been audited)

	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 2016	235,297	(5,561)	256,344	67,850	262,116	816,046	267,753	1,083,799
Foreign currency translation differences for foreign operations	-	-	-	721	-	721	6,717	7,438
Profit for the period	-	-	-	-	50,560	50,560	10,218	60,778
Total comprehensive income for the period	-	-	-	721	50,560	51,281	16,935	68,216
Share options exercised	1,823	-	1,386	-	-	3,209	2,561	5,770
Acquisition of non-controlling interest	-	-	-	-	-	-	(693)	(693)
Dilution of interest in subsidiary	-	-	-	-	(1,954)	(1,954)	1,954	-
Dividends to owner of the Company	-	-	-	-	(24,004)	(24,004)	-	(24,004)
Dividends to non-controlling interest	-	-	-	-	-	-	(6,114)	(6,114)
At 30 June 2016	237,120	(5,561)	257,730	68,571	286,718	844,578	282,396	1,126,974
At 1 January 2015	215,732	(5,561)	207,701	23,718	202,389	643,979	224,309	868,288
Foreign currency translation differences for foreign operations	-	-	-	22,964	-	22,964	1,481	24,445
Profit for the period	-	-	-	-	42,548	42,548	15,564	58,112
Total comprehensive income for the period	-	-	-	22,964	42,548	65,512	17,045	82,557
Share option exercised	604	-	460	-	-	1,064	335	1,399
Share-based payments	-	-	128	-	-	128	84	212
Warrant exercise	18,500	-	21,090	-	-	39,590	-	39,590
Dilution of interest in subsidiary	-	-	-	-	(4,894)	(4,894)	4,894	-
Dividends to owner of the Company	-	-	-	-	(18,720)	(18,720)	-	(18,720)
Dividends to non-controlling interest	-	-	-	-	-	-	(12,382)	(12,382)
At 30 June 2015	234,836	(5,561)	229,379	46,682	221,323	726,659	234,285	960,944

(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 2015 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 30 JUNE 2016 (2ND QUARTER)**

	Unaudited Period ended 30.6.2016 RM'000	Unaudited Period ended 30.6.2015 RM'000
Cash flows from operating activities		
Profit before tax	77,067	76,909
Adjustment for:		
Depreciation and amortisation	32,247	29,901
Development cost charged to cost of sales	(448)	-
Finance costs	30,517	24,552
Finance costs under MFRS 139	29	110
(Gain)/Loss on disposal of property, plant and equipment	(488)	(534)
Net impairment loss on receivables	(4,892)	(6,610)
Fair value adjustment on derivative instruments	(34,635)	5,046
Net loss/(gain) on foreign exchange	38,532	3,170
Interest income	(2,798)	(4,418)
Interest income under MFRS 139	(2,128)	(123)
Property, plant and equipment written off	6	182
Net (reversal)/provision for warranties	702	(4,803)
Share based payment	-	209
Share of profit of associates	(32,473)	(27,783)
Write-back of inventories	(172)	-
Operating profit before changes in working capital	101,066	95,808
Receivables, deposits and prepayments	(23,069)	(86,368)
Inventories	20,486	(39,925)
Payables and accruals	(2,247)	(36,098)
Amount due from contract customers	(111,965)	33,972
Cash generated from/(used in) operations	(15,729)	(32,611)
Net income taxes paid	(17,238)	(19,596)
Net cash generated from/(used in) operating activities	(32,967)	(52,207)
Cash flows from investing activities		
Additions to development expenditures	-	(2,247)
Acquisition of non-controlling interest	(693)	-
Dividend received from associates	38,538	-
Interest received	2,798	4,418
Proceed from disposal of property, plant and equipment	3,933	3,187
Purchase of property, plant and equipment	(35,566)	(33,058)
Net cash generated from/(used in) investing activities	9,010	(27,700)

MUHIBBAH ENGINEERING (M) BHD

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016 (2ND QUARTER) (cont'd)**

	Unaudited Period ended 30.6.2016 RM'000	Unaudited Period ended 30.6.2015 RM'000
Cash flows from financing activities		
Dividend paid to non-controlling interest	(4,218)	(1,982)
Interest paid	(30,517)	(24,552)
Proceed from exercise of share options and warrants	3,209	40,654
Proceed from issuance of shares to non-controlling interests of a subsidiary	2,561	335
Net drawdown/ (repayment) of loans and borrowings	106,903	(69,037)
Net cash generated from/(used in) financing activities	77,938	(54,582)
Currency translation differences	31,347	(838)
Net increase/(decrease) in cash and cash equivalents	85,328	(135,327)
Cash and cash equivalents at 1 January	562,575	575,130
Cash and cash equivalents at 30 June	647,903	439,803

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

	30.6.2016 RM'000	30.6.2015 RM'000
Cash and bank balances	519,957	406,519
Deposits placed with licensed banks	137,900	55,991
Cash and cash equivalents per balance sheet	657,857	462,510
Bank overdrafts	(9,954)	(22,707)
	647,903	439,803

(The Condensed Consolidated Cash Flow statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 2016

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 2015. 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 2015.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2015 except for the adoption of the Amendments and Annual Improvements to Standards effective from 1 January 2016:

MFRSs and IC Interpretations

(Including the Consequential Amendments)

Effective Date

- | | |
|---|----------------|
| • Annual Improvements to MFRSs 2012 – 2014 Cycle | 1 January 2016 |
| • Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| • Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011):
Investment Entities – Applying the Consolidation Exception | 1 January 2016 |
| • Amendments to MFRS 101: Presentation of Financial Statements - Disclosure Initiative | 1 January 2016 |
| • Amendments to MFRS 116 and MFRS 138:
Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| • Amendments to MFRS 116 and MFRS 141: Agriculture - Bearer Plants | 1 January 2016 |
| • The Group will also participates in tenders for the Mass Rapid Transit project (Phase 2 line), | 1 January 2016 |

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 |

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.

A3. QUALIFICATION OF PRECEDING YEAR'S AUDITED FINANCIAL STATEMENTS

The Auditors' Report of the financial statements for the preceding financial year ended 31 December 2015 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 except for a total of 3,147,000 new ordinary shares of RM0.50 each were issued during the current quarter, pursuant to the exercise of ESOS granted in 2011. The ESOS scheme has expired in August 2016.

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 30.6.2016	
	Revenue	Profit before tax
	RM'000	RM'000
Infrastructure construction	1,002,678	101,408
Cranes	319,106	45,001
Marine ship repair and ship building	39,762	5,888
Concessions	-	31,938
	<hr/>	<hr/>
	1,361,546	184,235
Less: Group eliminations	(473,472)	(107,168)
	<hr/>	<hr/>
	888,074	77,067
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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 EVENT

There were no material subsequent event from the end of the current quarter to 23 August 2016, 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

There were no material capital commitments as at 30 June 2016 and up to 23 August 2016.

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 2016**

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

B1. REVIEW OF GROUP PERFORMANCE (YTD Q2 2016 vs. YTD Q2 2015)

The Group reported higher revenue of RM888.1 million with profit after taxation of RM60.8 million for the cumulative period ended 30 June 2016 as compared to a revenue of RM773.5 million with profit before tax of RM58.1 million for the corresponding period ended 30 June 2015. The improvement is mainly attributed by construction, shipyard and concession divisions.

B2. COMPARISON WITH PRECEDING QUARTER RESULTS (Q2 2016 vs. Q1 2016)

The Group reported a revenue of RM406.3 million with profit after taxation of RM34.9 million for the current quarter as compared to a revenue of RM481.8 million with profit after tax of RM25.9 million for the preceding quarter. The increase in profit after tax was mainly attributed to the improved performance of crane and shipyard divisions with better contribution margin.

B3. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 23 August 2016, the total outstanding secured order book in hand of the Group is RM1.86 billion.

b) Current Year Prospect

The Group has secured various contracts associated with The PETRONAS Pengerang Integrated Complex and RAPID Projects. The Group will continue to bid for more works associated with projects for the Mass Rapid Transit project (Phase 2 line), various expressways and Light Rail Transit 3.

Our expansion works in Phnom Penh and Siem Reap airports were duly completed in March 2016 to cater for future air traffic growths in Cambodia.

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 30.6.2016 RM'000	Cumulative Qtr To date 30.6.2016 RM'000
Operating profit is arrived at after (crediting)/charging the following:		
Depreciation and amortisation	16,422	32,247
Finance costs		
-Income statement	8,119	12,985
-contract cost	5,254	17,532
	13,373	30,517
Finance costs under MFRS 139	13	29
Interest income	(1,285)	(2,798)
Interest income under MFRS 139	(1,230)	(2,128)
Net (Gain)/Loss on foreign exchange	(46,252)	38,532
(Gain)/Loss on derivatives	41,638	(34,635)
(Gain)/Loss on disposal of property, plant and equipment	(373)	(488)
Net impairment loss on receivables	(5,255)	(4,892)
Write-back of inventories	(172)	(172)
Other income	(492)	(979)

B6. TAXATION

	Current Quarter 30.6.2016 RM'000	Cumulative Qtr To date 30.6.2016 RM'000
Current tax expense		
Malaysia	(7,716)	(18,858)
Overseas	(286)	(536)
	(8,002)	(19,394)
Deferred tax expense		
Malaysia	(168)	3,105
Overseas	-	-
	(168)	3,105
Total tax expense	<u>(8,170)</u>	<u>(16,289)</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 primarily due to certain expenses not being deductible for tax purposes.

B7. CORPORATE PROPOSALS

Save for the proposed placement announced and was duly approved by Bursa Malaysia Securities Berhad and shareholders, there are no other corporate proposals announced and not completed as at to date.

B8. GROUP BORROWINGS AND DEBT SECURITIES

	Foreign Currency		RM'000
	Currency	Amount	
a) Short term borrowings			
Secured			
RM		15,853	15,853
USD		-	-
AUD		392	1,174
Sub- total			17,027
Unsecured			
RM		422,497	422,497
USD		-	-
DKK		-	-
Sub- total			422,497
b) Hire purchase and finance lease			
RM		-	-
Sub- total			-
Total Short Term Borrowings			439,524
a) Long term borrowings			
Secured			
RM		31,557	31,557
Sub-total			31,557
Unsecured			
RM		51,950	51,950
Sub-total			51,950
Total Long Term Borrowings			83,507
Total borrowings			523,031

B9. CHANGES IN MATERIAL LITIGATION

The ongoing material litigation of the Group as at 23 August 2016 are as follow:

i. Supreme Court of the State of New York

The Suits against the Company's 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, was resolved and discontinued pursuant to the New York Supreme Court orde. FFB and FFU are both covered by insurance.

ii Supreme Court of the State of New York, Country of New York

The Suit against Favelle Favco Cranes (USA) Inc ("FFU"), commenced by Mr. Robert Paranella ("the Plaintiff") in the Supreme Court of the State of New York, as previously reported remain on-going.

iii. In the matter of Arbitration under the Arbitration rules of the Kuala Lumpur Regional Centre for Arbitration (KLRCA)

The Claim against Favelle Favco Cranes (M) Sdn Bhd ("FFCM"), commenced by Carigali Hess Operating Company Sdn Bhd ("Carigali") at the Kuala Lumpur Regional Centre For Arbitration, as previously reported remains ongoing.

iv. Herbert Kannegiesser GmbH ("HKG") and Eisenmann Anlagenbau GmbH & Co. KG ("Eisenmann")

The Company is disputing the alleged claims from two Nominated Subcontractors for Hamad International Airport, namely HKG and Eisenmann amounting to total of QAR79.9 million and has filed counter claims. These arbitration cases are on-going.

v. Wiggins Island Coal Export Terminal Pty Ltd ("WICET")

Monadelphous Muhibbah Marine JV ("MMM"), a joint venture of Muhibbah Construction Pty Limited (wholly owned subsidiary of Muhibbah Engineering (M) Bhd) and Monadelphous Engineering Pty Ltd, has reached an agreement with WICET to resolve all claims relating to contracts performed on the Wiggins Island Coal Export Terminal Project in Gladstone, Queensland. This agreement is subject to third party approvals.

B10. PROPOSED DIVIDENDS

The directors did not declare any interim dividend for the financial quarter under review.

B11. EARNINGS PER SHARE ("EPS")

Basic/Diluted EPS

	Basic EPS		Diluted EPS	
	Current 30.6.2016	Cumulative 30.6.2016	Current 30.6.2016	Cumulative 30.6.2016
Net profit attributable to the owners of the Company (RM'000)	26,810	50,560	26,810	50,560
Weighted average number of ordinary shares in issue ('000)	472,633	470,858	472,633	470,858
Effect of dilution: Share options ('000)	-	-	4,588	4,588
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	472,633	470,858	477,221	475,446
EPS (Sen)	5.67	10.74	5.62	10.63

B12. REALISED AND UNREALISED PROFITS/(LOSSES)

	As at 30.6.2016 RM'000	As at 31.12.2015 RM'000
Total retained profits/ (accumulated losses) of Muhibbah Engineering (M) Bhd and its subsidiaries:		
- Realised	209,947	127,512
- Unrealised	97,246	133,228
	307,193	260,740
Total retained profits/ (accumulated losses) from associated companies:		
- Realised	146,475	141,144
- Unrealised	(114)	(279)
	146,361	140,865
Less: Consolidation adjustments	(166,836)	(139,489)
Total Group retained profits /(accumulated losses)	286,718	262,116

B13. COMPARATIVE FIGURES

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

By order of the Board of Directors
Company Secretary
Date : 30 August 2016