

MUHIBBAH ENGINEERING (M) BHD

(Company No : 12737-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

	UNAUDITED AS AT 30.9.2016 RM'000	AUDITED AS AT 31.12.2015 RM'000
Assets		
Property, plant and equipment	774,326	785,103
Investment in associates	262,593	257,351
Other non-current assets	65,284	52,768
Total non-current assets	1,102,203	1,095,222
Receivables, deposits and prepayments	842,775	827,663
Amount due from contract customers	834,276	720,077
Inventories	283,592	300,742
Current tax assets and other assets	35,951	21,539
Cash and cash equivalents	544,763	576,944
Total current assets	2,541,357	2,446,965
Total assets	3,643,560	3,542,187
Equity		
Share capital	241,058	235,297
Reserves	645,402	580,749
Total equity attributable to owners of the Company	886,460	816,046
Non-controlling interests	296,590	267,753
Total equity	1,183,050	1,083,799
Liabilities		
Payables and accruals	12,605	15,266
Loans and borrowings	78,304	48,914
Deferred tax liabilities	56,072	56,161
Total non-current liabilities	146,981	120,341
Provision, payables and accruals	681,466	663,421
Amount due to contract customers	365,521	420,669
Bills payables	796,665	838,334
Loans and borrowings	461,263	382,510
Tax liabilities and other liabilities	8,614	33,113
Total current liabilities	2,313,529	2,338,047
Total liabilities	2,460,510	2,458,388
Total equity and liabilities	3,643,560	3,542,187
Net assets per share attributable to owners of the Company (RM)	1.85	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 SEPTEMBER 2016 (3RD QUARTER)

(The figures have not been audited)

	Note	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
		30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Revenue	A9	384,958	540,554	1,273,032	1,314,102
Cost of sales, other income and operating expenses		(363,243)	(501,025)	(1,198,635)	(1,216,131)
Results from operating activities		21,715	39,529	74,397	97,971
Interest income (including MFRS 139)		1,404	1,449	6,330	5,990
Finance costs (including MFRS 139)		(8,015)	(4,985)	(21,029)	(18,842)
Operating profit	B5	15,104	35,993	59,698	85,119
Share of profit after tax and minority interest of equity accounted associates		12,189	14,403	44,662	42,186
Profit before tax		27,293	50,396	104,360	127,305
Tax benefit/(expense)	B6	5,292	(11,128)	(10,997)	(29,925)
Profit for the period		32,585	39,268	93,363	97,380
Other comprehensive income					
Foreign currency translation differences for foreign operations		16,256	67,981	23,694	92,426
Other comprehensive income for the period		16,256	67,981	23,694	92,426
Total comprehensive income for the period		48,841	107,249	117,057	189,806
Profit attributable to:					
Owners of the Company		22,555	22,960	73,115	65,508
Non-controlling interests		10,030	16,308	20,248	31,872
Profit for the period		32,585	39,268	93,363	97,380
Total comprehensive income attributable to:					
Owners of the Company		35,412	81,045	86,693	146,557
Non-controlling interests		13,429	26,204	30,364	43,249
Total comprehensive income for the period		48,841	107,249	117,057	189,806
Earnings per ordinary share					
Basic (Sen)	B11	4.69	4.63	15.43	14.43
Diluted (Sen)	B11	4.69	4.56	15.43	14.20

(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 SEPTEMBER 2016 (3RD QUARTER)

(The figures have not been audited)

	Attributable to shareholders of the Company				Distributable	Total equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
	Non-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			
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	-	-	-	13,578	-	13,578	10,116	23,694
Profit for the period	-	-	-	-	73,115	73,115	20,248	93,363
Total comprehensive income for the period	-	-	-	13,578	73,115	86,693	30,364	117,057
Share options exercised	5,761	-	4,379	-	-	10,140	2,936	13,076
Share option forfeited	-	-	(1,368)	-	1,368	-	-	-
Acquisition of non-controlling interest	-	-	-	-	-	-	(693)	(693)
Dilution of interest in subsidiary	-	-	-	-	(2,415)	(2,415)	2,415	-
Dividends to owner of the Company	-	-	-	-	(24,004)	(24,004)	-	(24,004)
Dividends to non-controlling interest	-	-	-	-	-	-	(6,185)	(6,185)
At 30 September 2016	241,058	(5,561)	259,355	81,428	310,180	886,460	296,590	1,183,050
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	-	-	-	81,049	-	81,049	11,377	92,426
Profit for the period	-	-	-	-	65,508	65,508	31,872	97,380
Total comprehensive income for the period	-	-	-	81,049	65,508	146,557	43,249	189,806
Share option exercised	951	-	723	-	-	1,674	1,133	2,807
Share-based payments	-	-	188	-	-	188	125	313
Warrant exercise	18,500	-	21,090	-	-	39,590	-	39,590
Dilution of interest in subsidiary	-	-	-	-	(5,720)	(5,720)	5,720	-
Dividends to owner of the Company	-	-	-	-	(18,858)	(18,858)	-	(18,858)
Dividends to non-controlling interest	-	-	-	-	-	-	(13,438)	(13,438)
At 30 September 2015	235,183	(5,561)	229,702	104,767	243,319	807,410	261,098	1,068,508

(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 SEPTEMBER 2016 (3RD QUARTER)**

	Unaudited Period ended 30.9.2016 RM'000	Unaudited Period ended 30.9.2015 RM'000
Cash flows from operating activities		
Profit before tax	104,360	127,305
Adjustment for:		
Depreciation and amortisation	49,560	41,832
Development cost charged to cost of sales	(879)	-
Finance costs	45,254	36,354
Finance costs under MFRS 139	44	166
(Gain)/Loss on disposal of property, plant and equipment	(687)	(729)
Net impairment loss on receivables	8,676	(11,994)
Net provision for impairment loss on property, plant and equipment	-	5,000
Fair value adjustment on derivative instruments	(28,843)	90,815
Net loss/(gain) on foreign exchange	18,133	(73,697)
Interest income	(4,502)	(5,478)
Interest income under MFRS 139	(1,828)	(512)
Property, plant and equipment written off	6	185
Net (reversal)/provision for warranties	10,171	(4,887)
Share based payment	-	313
Share of profit of associates	(44,662)	(42,186)
Write-back of inventories	(172)	-
Operating profit before changes in working capital	154,631	162,487
Receivables, deposits and prepayments	(39,434)	(54,407)
Inventories	17,322	(18,602)
Payables and accruals	2,055	32,148
Amount due from contract customers	(169,347)	(70,137)
Cash generated from/(used in) operations	(34,773)	51,489
Net income taxes paid	(20,690)	(34,817)
Net cash generated from/(used in) operating activities	(55,463)	16,672
Cash flows from investing activities		
Additions to development expenditures	-	(1,786)
Acquisition of non-controlling interest	(693)	-
Dividend received from associates	43,619	3,500
Interest received	4,502	5,478
Proceed from disposal of property, plant and equipment	7,626	4,596
Purchase of property, plant and equipment	(61,146)	(45,041)
Net cash generated from/(used in) investing activities	(6,092)	(33,253)

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2016 (3RD QUARTER)**

	Unaudited Period ended 30.9.2016 RM'000	Unaudited Period ended 30.9.2015 RM'000
Cash flows from financing activities		
Dividend paid to owners of the Company	(24,004)	(18,858)
Dividend paid to non-controlling interest	(17,771)	(13,438)
Interest paid	(45,254)	(36,354)
Proceed from exercise of share options and warrants	10,140	41,264
Proceed from issuance of shares to non-controlling interests of a subsidiary	2,936	1,133
Net drawdown/ (repayment) of loans and borrowings	61,824	80,520
Net cash generated from/(used in) financing activities	(12,129)	54,267
Currency translation differences	36,852	13,725
Net increase/(decrease) in cash and cash equivalents	(36,832)	51,411
Cash and cash equivalents at 1 January	562,575	575,130
Cash and cash equivalents at 30 September	525,743	626,541

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

	30.9.2016 RM'000	30.9.2015 RM'000
Cash and bank balances	394,953	598,143
Deposits placed with licensed banks	149,810	69,611
Cash and cash equivalents per balance sheet	544,763	667,754
Bank overdrafts	(19,020)	(41,213)
	525,743	626,541

(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
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ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 30 SEPTEMBER 2016 (3RD 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 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 8,377,600 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 30.9.2016	
	Revenue RM'000	Profit before tax RM'000
Infrastructure construction	1,456,329	117,911
Cranes	445,504	63,717
Marine ship repair and ship building	72,941	11,282
Concessions	-	42,805
	<hr/>	<hr/>
	1,974,774	235,715
Less: Group eliminations	(701,742)	(131,355)
	<hr/>	<hr/>
	1,273,032	104,360
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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 November 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 September 2016 and up to 23 November 2016.

MUHIBBAH ENGINEERING (M) BHD
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ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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

B1. REVIEW OF GROUP PERFORMANCE (YTD Q3 2016 vs. YTD Q3 2015)

The Group reported revenue of RM1.3 billion with profit after taxation of RM93.4 million for the cumulative period ended 30 September 2016 as compared to revenue of RM1.3 billion with profit after taxation of RM97.4 million for the corresponding period ended 30 September 2015. Net profit attributable to shareholders of the Company has increased from RM65.5 million to RM73.1 million for the corresponding period with higher contribution from our construction division and lower sharing of profit for the minority interest in crane division.

B2. COMPARISON WITH PRECEDING QUARTER RESULTS (Q3 2016 vs. Q2 2016)

The Group reported revenue of RM385 million with profit after taxation of RM32.6 million for the current quarter as compared to revenue of RM406.3 million with profit after taxation of RM34.9 million for the preceding quarter as a result of slightly lower income recognition for the current quarter due to timing factor.

B3. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 23 November 2016, the total outstanding secured order book in hand of the Group is RM1.65 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 30.9.2016 RM'000	Cumulative Qtr To date 30.9.2016 RM'000
Operating profit is arrived at after (crediting)/charging the following:		
Depreciation and amortisation	17,313	49,560
Finance costs		
-Income statement	8,000	20,985
-Contract cost	6,737	24,269
	14,737	45,254
Finance costs under MFRS 139	15	44
Interest income	(1,704)	(4,502)
Interest income under MFRS 139	300	(1,828)
Net (Gain)/Loss on foreign exchange	(20,399)	18,133
(Gain)/Loss on derivatives	5,792	(28,843)
(Gain)/Loss on disposal of property, plant and equipment	(199)	(687)
Net impairment loss on receivables	13,568	8,676
Write-back of inventories	-	(172)
Other income	(754)	(1,733)

B6. TAXATION

	Current Quarter 30.9.2016 RM'000	Cumulative Qtr To date 30.9.2016 RM'000
Current tax expense		
Malaysia	6,042	(12,816)
Overseas	(407)	(943)
	5,635	(13,759)
Deferred tax expense		
Malaysia	(343)	2,762
Overseas	-	-
	(343)	2,762
Total tax expense	<u>5,292</u>	<u>(10,997)</u>

The Group's effective tax rate (excluding the results of associates which are equity accounted net of tax) is lower than statutory tax rate primarily due to tax saving from export incentive allowance.

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	
Short term borrowings			
Secured	RM	15,312	15,312
	Sub- total		15,312
Unsecured	RM	441,418	441,418
	DKK	7,280	4,533
	Sub- total		445,951
Total Short Term Borrowings			461,263
Long term borrowings			
Secured	RM	27,729	27,729
	Sub-total		27,729
Unsecured	RM	50,575	50,575
	Sub-total		50,575
Total Long Term Borrowings			78,304
Total borrowings			539,567

B9. CHANGES IN MATERIAL LITIGATION

The on-going material litigation of the Group as at 23 November 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 order. 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 Pararella ("the Plaintiff") in the Supreme Court of the State of New York, as previously reported remains 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 on-going.

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 a counter claim against HKG. 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. Pursuant to the Deed of Settlement signed by the parties, this case is now fully settled.

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 30.9.2016	Cumulative 30.9.2016	Current 30.9.2016	Cumulative 30.9.2016
Net profit attributable to the owners of the Company (RM'000)	22,555	73,115	22,555	73,115
Weighted average number of ordinary shares in issue ('000)	480,488	473,828	480,488	473,828
Effect of dilution: Share options ('000)	-	-	-	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	480,488	473,828	480,488	473,828
EPS (Sen)	4.69	15.43	4.69	15.43

B12. REALISED AND UNREALISED PROFITS/(LOSSES)

	As at 30.9.2016 RM'000	As at 31.12.2015 RM'000
Total retained profits/ (accumulated losses) of Muhibbah Engineering (M) Bhd and its subsidiaries:		
- Realised	227,754	127,512
- Unrealised	98,529	133,228
	326,283	260,740
Total retained profits/ (accumulated losses) from associated companies:		
- Realised	153,177	141,144
- Unrealised	401	(279)
	153,578	140,865
Less: Consolidation adjustments	(169,681)	(139,489)
Total Group retained profits /(accumulated losses)	310,180	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 : 29 November 2016