

MUHIBBAH ENGINEERING (M) BHD

(Company No : 12737-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	UNAUDITED	AUDITED
	AS AT	AS AT
	31.12.2017	31.12.2016
	RM'000	RM'000
Assets		
Property, plant and equipment	820,141	801,363
Investment in associates	535,207	436,924
Other non-current assets	68,537	48,028
Total non-current assets	1,423,885	1,286,315
Receivables, deposits and prepayments	697,134	704,292
Amount due from contract customers	459,602	1,088,956
Inventories	235,456	265,906
Current tax assets and other assets	40,633	19,573
Cash and cash equivalents	648,552	737,605
Total current assets	2,081,377	2,816,332
Total assets	3,505,262	4,102,647
Equity		
Share capital	241,058	241,058
Reserves	804,180	735,145
Total equity attributable to owners of the Company	1,045,238	976,203
Non-controlling interests	444,357	404,333
Total equity	1,489,595	1,380,536
Liabilities		
Payables and accruals	8,556	13,517
Loans and borrowings	73,049	73,101
Deferred tax liabilities	58,788	56,696
Total non-current liabilities	140,393	143,314
Provision, payables and accruals	713,631	1,023,529
Amount due to contract customers	284,831	270,422
Bills payables	482,815	728,507
Loans and borrowings	384,062	532,208
Tax liabilities and other liabilities	9,935	24,131
Total current liabilities	1,875,274	2,578,797
Total liabilities	2,015,667	2,722,111
Total equity and liabilities	3,505,262	4,102,647
Net assets per share attributable to owners of the Company (RM)	2.18	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 YEAR ENDED 31 DECEMBER 2017 (4TH QUARTER)

(The figures have not been audited)

	Note	Current/Preceding Qtr Ended		Cumulative Qtr	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		RM'000	RM'000	RM'000	RM'000
Revenue (Note 1a)	A9	306,500	645,591	1,388,281	1,918,623
Cost of sales, other income and operating expenses		(304,156)	(607,580)	(1,306,717)	(1,806,215)
Results from operating activities		2,344	38,011	81,564	112,408
Net finance costs		(2,209)	(3,344)	(12,398)	(18,043)
Share of profit of associates and joint venture, net of tax		53,233	24,753	147,292	88,181
Profit before tax	B5	53,368	59,420	216,458	182,546
Tax expense	B6	(3,019)	(10,594)	(20,141)	(21,591)
Profit for the period		50,349	48,826	196,317	160,955
Other comprehensive income/(expenses)					
Foreign currency translation differences for foreign operations		(26,937)	39,379	(59,650)	66,020
Movement in revaluation of property, plant equipment, net of tax		6,844	-	6,844	-
Other comprehensive income/(expense) for the period		(20,093)	39,379	(52,806)	66,020
Total comprehensive income for the period		30,256	88,205	143,511	226,975
Profit attributable to:					
Owners of the Company		36,511	32,386	131,608	105,501
Non-controlling interests		13,838	16,440	64,709	55,454
Profit for the period		50,349	48,826	196,317	160,955
Total comprehensive income attributable to:					
Owners of the Company		21,801	66,749	90,231	153,442
Non-controlling interests		8,455	21,456	53,280	73,533
Total comprehensive income for the period		30,256	88,205	143,511	226,975
Earnings per ordinary share					
Basic (Sen)	B11	7.60	6.74	27.40	22.19
Diluted (Sen)	B11	7.48	6.74	27.21	22.19
Note (1a) - Revenue					
Revenue as reported above		306,500	645,591	1,388,281	1,918,623
Share of revenue of associates and joint venture		147,293	125,635	583,551	353,461
Total revenue		453,793	771,226	1,971,832	2,272,084
Note					
The Group accounts for its investment in associates and joint venture using the equity method whereby the revenue of associates and joint venture project is 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 project.					

(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 YEAR ENDED 31 DECEMBER 2017 (4TH QUARTER)**

(The figures have not been audited)

	← Attributable to shareholders of the Company →							
	Non-distributable				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	Total equity attributable to owners of the Company RM'000		
At 1 January 2017	241,058	(5,561)	259,354	113,481	367,871	976,203	404,333	1,380,536
Foreign currency translation differences for foreign operations	-	-	-	(45,434)	-	(45,434)	(14,216)	(59,650)
Movement in revaluation of property, plant and equipment, net of tax	-	-	4,057	-	-	4,057	2,787	6,844
Profit for the year	-	-	-	-	131,608	131,608	64,709	196,317
Total comprehensive income for the year	-	-	4,057	(45,434)	131,608	90,231	53,280	143,511
Share-based payments	-	-	5,222	-	-	5,222	-	5,222
Acquisition of subsidiary	-	-	-	-	-	-	267	267
Dividend to owners of the Company	-	-	-	-	(26,418)	(26,418)	-	(26,418)
Dividend to non-controlling interests	-	-	-	-	-	-	(13,523)	(13,523)
At 30 September 2017	241,058	(5,561)	268,633	68,047	473,061	1,045,238	444,357	1,489,595
At 1 January 2016	235,297	(5,561)	256,344	67,850	262,116	816,046	267,753	1,083,799
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	-	-	-	47,941	-	47,941	18,079	66,020
Profit for the year	-	-	-	-	105,501	105,501	55,454	160,955
Total comprehensive income for the year	-	-	-	47,941	105,501	153,442	73,533	226,975
Share options exercised	5,761	-	4,378	-	-	10,139	2,936	13,075
Share options forfeited	-	-	(1,368)	-	1,368	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	(693)	(693)
Dilution of interest in subsidiary	-	-	-	-	(2,415)	(2,415)	2,415	-
Dividend to owners of the Company	-	-	-	-	(24,004)	(24,004)	-	(24,004)
Dividend to non-controlling interests	-	-	-	-	-	-	(18,037)	(18,037)
At 31 December 2016	241,058	(5,561)	259,354	113,481	367,871	976,203	404,333	1,380,536

(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 YEAR ENDED 31 DECEMBER 2017 (4TH QUARTER)**

	Unaudited Year ended 31.12.2017 RM'000	Audited Year ended 31.12.2016 RM'000
Cash flows from operating activities		
Profit before tax	216,458	182,546
Depreciation and amortisation	65,878	69,394
Development cost charged out	1,715	-
Finance costs	41,525	64,821
Gain on disposal of property, plant and equipment	(692)	(1,116)
Net impairment loss on investment in associate	-	4,381
Net impairment loss/(recovery) on receivables	4,581	(1,327)
Net impairment loss on other investments	-	1,061
Gain on derivatives	(20,018)	(13,559)
Net loss/(gain) on foreign exchange	11,163	(2,095)
Interest income	(10,094)	(15,579)
Property, plant and equipment written off	25	6
Net provision for warranties	4,087	2,575
Share based payments	5,222	-
Share of profit of associates	(147,292)	(88,181)
Write-back of inventories	-	(116)
Operating profit before changes in working capital	172,558	202,811
Receivables, deposits and prepayments	(7,263)	115,191
Inventories	31,576	38,723
Payables and accruals	(317,980)	350,308
Amount due from contract customers	643,762	(519,126)
Cash generated from operations	522,653	187,907
Net income taxes paid	(54,856)	(19,454)
Net cash generated from operating activities	467,797	168,453
Cash flows from investing activities		
Additions to development expenditures	(2,203)	-
Acquisition of non-controlling interests	-	(693)
Dividend received from associates	9,753	52,211
Interest received	10,094	7,154
Proceeds from disposal of property, plant and equipment	7,329	6,204
Purchase of property, plant and equipment	(101,844)	(87,493)
Net cash used in investing activities	(76,871)	(22,617)

MUHIBBAH ENGINEERING (M) BHD

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (4TH QUARTER)**

	Unaudited Year ended 31.12.2017 RM'000	Audited Year ended 31.12.2016 RM'000
Cash flows from financing activities		
Dividend paid to owners of the Company	(26,418)	(24,004)
Dividend paid to non-controlling interests	(13,523)	(18,037)
Interests paid	(41,525)	(62,954)
Proceeds from exercise of share options	-	10,138
Proceeds from issuance of shares to non-controlling interests of a subsidiary	-	2,937
Net (repayment)/drawdown of loans and borrowings	(403,546)	72,507
Net cash used in financing activities	(485,012)	(19,413)
Currency translation differences	(4,624)	42,688
Net (decrease)/increase in cash and cash equivalents	(98,710)	169,111
Cash and cash equivalents at 1 January	731,686	562,575
Cash and cash equivalents at 31 December	632,976	731,686

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

	31.12.2017 RM'000	31.12.2016 RM'000
Cash and bank balances	398,313	404,466
Short-term funds	-	88,844
Deposits placed with licensed banks	250,239	244,295
Cash and cash equivalents as per Statement of Financial Position	648,552	737,605
Bank overdrafts	(15,576)	(5,919)
	632,976	731,686

(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 YEAR ENDED 31 DECEMBER 2017 (4TH 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:

<u>MFRSs and IC Interpretations</u> <u>(Including the Consequential Amendments)</u>	<u>Effective Date</u>
• 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 - Amendments to MFRS 12: Clarification of the Scope of Standard	1 January 2017

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 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: - 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	1 January 2018
• 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 is no dividend paid during the quarter under review.

A9. SEGMENT REVENUE AND RESULTS

Financial data by business segment for the Group:

	Year ended 31.12.2017	
	Revenue	Profit before tax
	RM'000	RM'000
Infrastructure construction	1,556,285	97,692
Cranes	541,096	83,265
Concessions	343,148	120,176
	<hr/>	<hr/>
	2,440,529	301,133
Less: Group eliminations	(468,697)	(84,675)
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	1,971,832	216,458
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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 28 February 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 as at 31 December 2017 is approximately RM26 million.

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

ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE YEAR ENDED 31 DECEMBER 2017 (4TH QUARTER)

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

B1. REVIEW OF GROUP PERFORMANCE (YTD Q4 2017 vs. YTD Q4 2016)

The Group reported consolidated revenue (including share of associates' revenue) of RM2.0 billion with profit after taxation of RM196.3 million for the cumulative period ended 31 December 2017 as compared to revenue (including share of associates' revenue) of RM2.3 billion with profit after taxation of RM161.0 million for the corresponding period ended 31 December 2016.

The improvement is mainly contributed by the construction division with increased contribution from joint venture projects as well as material cash collection during the year for variation orders approved by Qatar government for a previously completed project.

The Cambodia international airports concession has also generated higher income and contribution from passengers services tax, aeronautical, cargo, ground handling services as well as commercial activities in tandem with the regional economic development and 26% growth in the business travellers and tourists arrival during the reporting financial year 2017.

B2. COMPARISON WITH PRECEDING QUARTER RESULTS (Q4 2017 vs. Q3 2017)

The Group generated consolidated revenue (including share of associates' revenue) of RM453.8 million with higher profit after taxation of RM50.3 million for the current quarter as compared to revenue (including share of associates' revenue) of RM514.1 million with profit after taxation of RM47.9 million for the preceding quarter, mainly due to higher contribution from the concession division and joint venture project.

B3. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 28 February 2018, 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. PROFIT BEFORE TAX

	Current Quarter 31.12.2017 RM'000	Cumulative Qtr 31.12.2017 RM'000
Profit before tax is arrived at after (crediting)/charging the following:		
Depreciation and amortisation	20,273	65,878
Finance costs		
-Income statement	6,553	22,492
-Contract cost	4,625	19,033
	11,178	41,525
Interest income	(4,344)	(10,094)
Net loss on foreign exchange	6,498	11,163
Gain on derivatives	(4,013)	(20,018)
Gain on disposal of property, plant and equipment	(65)	(692)
Net impairment loss on receivables	4,538	4,581

B6. TAXATION

	Current Quarter 31.12.2017 RM'000	Cumulative Qtr 31.12.2017 RM'000
Current tax expense		
Malaysia	(14,823)	(33,943)
Overseas	(2,067)	(5,673)
	(16,890)	(39,616)
Deferred tax income		
Malaysia	13,871	19,475
Overseas	-	-
	13,871	19,475
 Total tax expense	<u>(3,019)</u>	<u>(20,141)</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

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

Favelle Favco Berhad, a listed subsidiary of the Company has extended the Heads of Agreements ("HOA") entered with a group of individual vendors for 2 months to facilitate negotiation and finalisation of the terms and conditions of the Proposed Acquisition.

B8. GROUP BORROWINGS AND DEBT SECURITIES

	Foreign Currency		31.12.2017 RM'000
	Currency	Amount	
Short term borrowings		'000	
Secured	RM	9,480	9,480
Unsecured	RM	369,340	369,340
Total Short Term Borrowings	Sub- total		384,062
Long term borrowings			
Secured	RM	7,549	7,549
Unsecured	RM	65,500	65,500
Total Long Term Borrowings	Sub-total		73,049
Total gross borrowings			457,111

B9. CHANGES IN MATERIAL LITIGATION

The on-going material litigation of the Group as at 28 February 2018 are as follow:

Nominated Subcontractors for Hamad International Airport Project

The Company has good grounds to defend 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.

B10. PROPOSED DIVIDEND

The Directors recommended that a first and final tax exempt dividend of 7.00 sen per ordinary share totalling RM33.62 million for the year ended 31 December 2017, subject to approval of the shareholders at the forthcoming Annual General Meeting.

The first and final tax exempt dividend for year 2017 is computed based on issued and paid-up share capital (excluding treasury share) of 480,331,250 ordinary shares as at 31 December 2017.

B11. EARNINGS PER SHARE ("EPS")

Basic/Diluted EPS

	Basic EPS		Diluted EPS	
	Current 31.12.2017	Cumulative 31.12.2017	Current 31.12.2017	Cumulative 31.12.2017
Net profit attributable to the owners of the Company (RM'000)	36,511	131,608	36,511	131,608
Weighted average number of ordinary shares in issue ('000)	480,331	480,331	480,331	480,331
Effect of dilution: Share options ('000)	-	-	7,781	3,411
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	480,331	480,331	488,112	483,742
EPS (Sen)	7.60	27.40	7.48	27.21

B12. REALISED AND UNREALISED PROFITS/(LOSSES)

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Total retained profits/ (accumulated losses) of Muhibbah Engineering (M) Bhd and its subsidiaries:		
- Realised	326,263	211,684
- Unrealised	25,981	80,892
	352,244	292,576
Total retained profits/ (accumulated losses) from associated companies:		
- Realised	327,786	210,569
- Unrealised	1,075	1,076
	328,861	211,645
Less: Consolidation adjustments	(208,044)	(136,351)
Total Group retained profits	473,061	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 : 28 February 2018