

MUHIBBAH ENGINEERING (M) BHD

(Company No : 12737-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	UNAUDITED AS AT 30.06.2019 RM'000	AUDITED AS AT 31.12.2018 RM'000
Assets		
Property, plant and equipment	891,680	903,892
Investment in associates	668,802	594,822
Other non-current assets	130,786	127,527
Total non-current assets	1,691,268	1,626,241
Receivables, deposits and prepayments	606,283	570,028
Contract assets	842,721	726,345
Inventories	250,571	257,699
Current tax assets and other assets	15,414	20,092
Cash and cash equivalents	534,577	591,271
Total current assets	2,249,566	2,165,435
Total assets	3,940,834	3,791,676
Equity		
Share capital	303,341	301,746
Reserves	883,303	818,689
Total equity attributable to owners of the Company	1,186,644	1,120,435
Non-controlling interests	554,738	517,902
Total equity	1,741,382	1,638,337
Liabilities		
Payables and accruals	22,968	23,045
Loans and borrowings	63,409	69,273
Deferred tax liabilities	48,596	47,851
Total non-current liabilities	134,973	140,169
Provision, payables and accruals	754,482	787,686
Contract liabilities	210,467	235,874
Bills payables	712,179	587,734
Loans and borrowings	376,809	381,748
Tax liabilities and other liabilities	10,542	20,128
Total current liabilities	2,064,479	2,013,170
Total liabilities	2,199,452	2,153,339
Total equity and liabilities	3,940,834	3,791,676
Net assets per share attributable to owners of the Company (RM)	2.46	2.33

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements)

MUHIBBAH ENGINEERING (M) BHD

(Company No : 12737-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019 (2ND QUARTER)

(The figures have not been audited)

	Note	Current/Preceding Qtr Ended		Cumulative Qtr	
		30.06.2019	30.06.2018	30.06.2019	30.06.2018
		RM'000	RM'000	RM'000	RM'000
Revenue (Note 1a)	A9	568,872	311,617	841,257	560,706
Cost of sales, other income and operating expenses		(540,952)	(292,422)	(803,203)	(520,290)
Results from operating activities		27,920	19,195	38,054	40,416
Interest income		3,461	1,510	7,196	3,237
Finance costs		(5,303)	(6,243)	(10,530)	(11,660)
Operating profit	B5	26,078	14,462	34,720	31,993
Share of profit of associates and joint ventures, net of tax		31,755	35,503	82,583	81,457
Profit before tax	B5	57,833	49,965	117,303	113,450
Tax expense	B6	(8,205)	(5,495)	(13,274)	(9,602)
Profit for the period		49,628	44,470	104,029	103,848
Other comprehensive income/(expenses)					
Foreign currency translation differences for foreign operations		12,418	10,462	(6,384)	(24,079)
Other comprehensive income/(expense) for the year		12,418	10,462	(6,384)	(24,079)
Total comprehensive income for the year		62,046	54,932	97,645	79,769
Profit attributable to:					
Owners of the Company		30,861	32,998	63,872	69,175
Non-controlling interests		18,767	11,472	40,157	34,673
Profit for the year		49,628	44,470	104,029	103,848
Total comprehensive income attributable to:					
Owners of the Company		40,981	43,296	61,141	55,823
Non-controlling interests		21,065	11,636	36,504	23,946
Total comprehensive income for the year		62,046	54,932	97,645	79,769
Earnings per ordinary share					
Basic (Sen)	B11	6.40	6.87	13.25	14.40
Diluted (Sen)	B11	6.31	6.73	13.06	14.10
Note (1a) - Proforma Revenue					
Revenue as reported above		568,872	311,617	841,257	560,706
Share of revenue of associates and joint ventures		112,864	116,792	237,495	246,849
Total revenue		681,736	428,409	1,078,752	807,555
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 after including the Group's 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 2018 and the accompanying explanatory notes attached to the interim financial statements)

MUHIBBAH ENGINEERING (M) BHD

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(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019 (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
	Share capital RM'000	Treasury shares RM'000	Reserves attributable to capital RM'000	Reserve attributable to revenue RM'000				
At 1 January 2019	301,746	(5,561)	216,994	82,356	524,900	1,120,435	517,902	1,638,337
Foreign currency translation differences for foreign operations	-	-	-	(2,731)	-	(2,731)	(3,653)	(6,384)
Profit for the period	-	-	-	-	63,872	63,872	40,157	104,029
Total comprehensive income for the year	-	-	-	(2,731)	63,872	61,141	36,504	97,645
Share options exercised	1,595	-	-	-	-	1,595	-	1,595
Share-based payments	-	-	3,473	-	-	3,473	332	3,805
At 30 June 2019	303,341	(5,561)	220,467	79,625	588,772	1,186,644	554,738	1,741,382
At 1 January 2018								
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)
At 1 January 2018	241,057	(5,561)	273,433	69,749	413,525	992,203	427,620	1,419,823
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 year	-	-	-	(13,352)	69,175	55,823	23,946	79,769
Share-based payments	-	-	4,581	-	-	4,581	1,368	5,949
At 31 June 2018	241,057	(5,561)	278,014	56,397	482,700	1,052,607	452,934	1,505,541

(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 2018 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 30 JUNE 2019 (2ND QUARTER)**

	Unaudited Year ended 30.06.2019	Unaudited Year ended 30.06.2018
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	117,303	113,450
Depreciation and amortisation	35,666	23,813
Finance costs	22,313	15,260
Gain on disposal of property, plant and equipment	(6,369)	(301)
Net impairment loss on investment in associate	-	175
Net impairment loss/(recovery) on financial asset and receivables	2,526	2,510
Net loss/(gain) on derivatives	405	6,467
Net loss/(gain) on foreign exchange	2,568	12,229
Interest income	(7,197)	(3,237)
Net provision for warranties	2,097	1,150
Share-based payments	3,805	2,974
Share of profit of associates	(82,583)	(81,457)
Operating profit before changes in working capital	90,534	93,033
Receivables, deposits and prepayments	(37,962)	(85,707)
Inventories	7,126	50,179
Payables and accruals	(37,783)	(127,370)
Amount due from/(to) contract customers	(142,170)	(49,693)
Cash generated from operations	(120,255)	(119,558)
Net income taxes paid	(19,053)	(6,450)
Net cash generated/(used in) from operating activities	(139,308)	(126,008)
Cash flows from investing activities		
Additions to development expenditures	(517)	(2,574)
Dividend received from associates	5,783	-
Interest received	7,181	3,181
Proceeds from disposal of property, plant and equipment	8,943	23,969
Purchase of property, plant and equipment	(21,834)	(32,557)
Expenditure on land held for development	(2,246)	-
Net cash generated/(used in) investing activities	(2,690)	(7,981)

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (2ND QUARTER)**

	Unaudited Year ended 30.06.2019 RM'000	Unaudited Year ended 30.06.2018 RM'000
Cash flows from financing activities		
Interests paid	(22,249)	(15,205)
Proceeds from exercise of share options	1,595	-
Net (repayment)/drawdown of loans and borrowings	98,284	(570)
Net cash generated/(used in) financing activities	77,630	(15,775)
Currency translation differences	(7,683)	(17,880)
Net increase/(decrease) in cash and cash equivalents	(72,051)	(167,644)
Cash and cash equivalents at 1 January	566,831	624,176
Cash and cash equivalents at 30 June	494,780	456,532

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

	30.06.2019 RM'000	30.06.2018 RM'000
Cash and bank balances	213,048	224,797
Deposits placed with licensed banks	321,529	231,842
Cash and cash equivalents as per Statement of Financial Position	534,577	456,639
Bank overdrafts	(39,797)	(107)
	494,780	456,532

(The Condensed Consolidated Cash Flow statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 30 JUNE 2019 (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 Main Market 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 2018. 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 2018.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2018 and for the adoption of the Amendments and Annual Improvements to Standards effective from 1 January 2019:

<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 119: Plan Amendment, Curtailment or Settlement	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

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, if any)</u>	<u>Effective Date</u>
• Amendments to MFRS 3: Definition of a Business	1 January 2020
• Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
• Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
• MFRS 17 Insurance Contracts	1 January 2021
• Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

A3. QUALIFICATION OF PRECEDING YEAR'S AUDITED FINANCIAL STATEMENTS

The Auditors' Report of the financial statements for the preceding financial year ended 31 December 2018 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

During the three months financial period ended 30 June 2019, a total of 395,500 new ordinary shares was issued pursuant to the exercise of the Employees' Share Issuance Scheme ("SIS").

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 30.06.2019	
	Revenue	Profit before tax
	RM'000	RM'000
Infrastructure construction	682,508	25,676
Cranes	362,718	40,851
Share of Concessions profits (net of tax)	209,845	93,983
	<hr/>	<hr/>
	1,255,071	160,510
Less: Group eliminations	(176,319)	(43,207)
	<hr/>	<hr/>
	<u>1,078,752</u>	<u>117,303</u>

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There were no changes to the valuation of property, plant and 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 29 August 2019, which would likely to substantially affect the results of the operations of the Group.

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 29 August 2019 is approximately RM16 million.

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ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE YEAR ENDED 30 JUNE 2019 (2ND QUARTER)

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

B1. REVIEW OF GROUP PERFORMANCE (YTD Q2 2019 vs. YTD Q2 2018)

The Group reported higher consolidated revenue (including share of associates and joint ventures' revenue) of RM1.1 billion and profit after taxation of RM104.0 million for the financial year ended 30 June 2019 as compared to consolidated revenue (including share of associates and joint ventures' revenue) of RM807.6 million and profit after taxation of RM103.8 million for the corresponding year ended 30 June 2018.

The increase in profit after taxation in Q2 2019 is mainly due to the higher profit contribution from the Crane and Concessions divisions.

B2. COMPARISON WITH PRECEDING QUARTER RESULTS (Q2 2019 vs. Q1 2019)

The Group reported higher consolidated revenue (including share of associates and joint ventures' revenue) of RM681.7 million with profit after taxation of RM49.6 million for the current quarter as compared to revenue (including share of associates and joint ventures' revenue) of RM397.0 million with profit after taxation of RM54.4 million for the preceding quarter mainly due to higher revenue from the Construction division and lower contribution from the airport Concessions division as Q2 is traditionally an off peak period.

B3. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

MEB Construction division has just secured a Contract of approximately RM150 million for the provision of Engineering, Procurement, Construction & Installation of Wellhead Platform for East Cendor Field Development from Petrofac (Malaysia-PM304) Limited.

As at 29 August 2019, the Group's total outstanding secured order book in hand for the construction and cranes division is RM1.7 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:

	Current Quarter 30.06.2019 RM'000	Cumulative Quarter 30.06.2019 RM'000
Depreciation and amortisation	18,967	35,666
Finance costs	10,265	22,313
Interest income	(3,462)	(7,197)
Net loss/(gain) on foreign exchange	(2,910)	2,568

B6. TAXATION

	Current Quarter 30.06.2019 RM'000	Cumulative Quarter 30.06.2019 RM'000
Current tax expense		
Malaysia	5,729	11,064
Overseas	2,429	2,641
	8,158	13,705
Deferred tax income		
Malaysia	47	(431)
Overseas	-	-
	47	(431)
Total tax expense	<u>8,205</u>	<u>13,274</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

The group has no outstanding corporate proposals for the quarter under review.

B8. GROUP BORROWINGS AND DEBT SECURITIES

	Foreign Currency		30.06.2019
	Currency	Amount	RM'000
Short term borrowings			
Secured		'000	
	RM	3,434	3,434
	AUD	930	2,696
	DKK	5,602	3,523
	Sub- total		9,653
Unsecured			
	RM	359,506	359,506
	DKK	12,165	7,650
	Sub- total		367,156
Total Short Term Borrowings			376,809
Long term borrowings			
Secured			
	RM	8,896	8,896
	DKK	26,596	16,725
	Sub- total		25,621
Unsecured			
	RM	37,788	37,788
Total Long Term Borrowings			63,409
Total gross borrowings			440,218

B9. UPDATES ON MATERIAL LITIGATIONS

- (i) Eisenmann Anlagenbau GmbH & Co. KG ("Eisenmann") is nominated subcontractor for Hamad International Airport Project. The litigation case with Eisenmann is still ongoing.
- (ii) MEB is compiling a claim of at least Euro 37 million to be submitted for arbitration in Dubai for works done against a Claim from The Government Of Syrian Arab Republic ("SCAA Claim") of approximately Euro 33 million in relation to the rehabilitation and upgrading of some of the Damascus International Airport facilities in Syria which was substantially completed by MEB previously. MEB is refuting SCAA's Claim including on the ground that the Courts in Syria lacks jurisdiction and MEB will pursue its claims, pursuant to the Contract, in arbitration in Dubai (DIAC).

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 30.06.2019	Cumulative 30.06.2019	Current 30.06.2019	Cumulative 30.06.2019
Net profit attributable to the owners of the Company (RM'000)	30,861	63,872	30,861	63,872
Weighted average number of ordinary shares in issue ('000)	481,992	481,878	481,992	481,878
Effect of dilution: Share options ('000)	-	-	7,159	7,159
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	481,992	481,878	489,151	489,037
EPS (Sen)	6.40	13.25	6.31	13.06

By order of the Board of Directors
Company Secretary
Date : 29 August 2019