

MUHIBBAH ENGINEERING (M) BHD

(Company No : 12737-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

	UNAUDITED AS AT 30.09.2019 RM'000	AUDITED AS AT 31.12.2018 RM'000
Assets		
Property, plant and equipment	905,064	903,892
Investment in associates	717,252	594,822
Other non-current assets	129,067	127,527
Total non-current assets	1,751,383	1,626,241
Receivables, deposits and prepayments	518,829	570,028
Contract assets	755,389	726,345
Inventories	261,984	257,699
Current tax assets and other assets	18,884	20,092
Cash and cash equivalents	549,105	591,271
Total current assets	2,104,191	2,165,435
Total assets	3,855,574	3,791,676
Equity		
Share capital	306,392	301,746
Reserves	883,057	818,689
Total equity attributable to owners of the Company	1,189,449	1,120,435
Non-controlling interests	562,414	517,902
Total equity	1,751,863	1,638,337
Liabilities		
Payables and accruals	7,494	23,045
Loans and borrowings	55,272	69,273
Deferred tax liabilities	49,039	47,851
Total non-current liabilities	111,805	140,169
Provision, payables and accruals	695,916	787,686
Contract liabilities	213,811	235,874
Bills payables	626,188	587,734
Loans and borrowings	445,940	381,748
Tax liabilities and other liabilities	10,051	20,128
Total current liabilities	1,991,906	2,013,170
Total liabilities	2,103,711	2,153,339
Total equity and liabilities	3,855,574	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 SEPTEMBER 2019 (3RD QUARTER)

(The figures have not been audited)

	Note	Current/Preceding Qtr Ended		Cumulative Qtr	
		30.09.2019	30.09.2018	30.09.2019	30.9.2018
		RM'000	RM'000	RM'000	RM'000
Revenue (Note 1a)	A9	217,454	557,326	1,058,711	1,118,032
Cost of sales, other income and operating expenses		(202,897)	(510,545)	(1,006,100)	(1,030,835)
Results from operating activities		14,557	46,781	52,611	87,197
Interest income		2,256	2,772	9,452	6,009
Finance costs		(5,282)	(6,477)	(15,812)	(18,137)
Operating profit	B5	11,531	43,076	46,251	75,069
Share of profit of associates and joint ventures, net of tax		43,843	34,571	126,426	116,028
Profit before tax	B5	55,374	77,647	172,677	191,097
Tax expense	B6	(6,281)	(13,281)	(19,555)	(22,883)
Profit for the period		49,093	64,366	153,122	168,214
Other comprehensive income/(expenses)					
Foreign currency translation differences for foreign operations		2,967	33,387	(3,417)	9,308
Other comprehensive income/(expense) for the year		2,967	33,387	(3,417)	9,308
Total comprehensive income for the year		52,060	97,753	149,705	177,522
Profit attributable to:					
Owners of the Company		29,428	37,743	93,300	106,918
Non-controlling interests		19,665	26,623	59,822	61,296
Profit for the year		49,093	64,366	153,122	168,214
Total comprehensive income attributable to:					
Owners of the Company		31,837	64,448	92,978	120,271
Non-controlling interests		20,223	33,305	56,727	57,251
Total comprehensive income for the year		52,060	97,753	149,705	177,522
Earnings per ordinary share					
Basic (Sen)	B11	6.09	7.84	19.34	22.25
Diluted (Sen)	B11	6.02	7.73	19.11	21.95
Note (1a) - Proforma Revenue					
Revenue as reported above		217,454	557,326	1,058,711	1,118,032
Share of revenue of associates and joint ventures		115,723	117,800	353,218	364,649
Total revenue		333,177	675,126	1,411,929	1,482,681
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

(Company No : 12737-K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (3RD QUARTER)**

(The figures have not been audited)

	← Attributable to shareholders of the Company →					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	Distributable Retained earnings 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	-	-	-	(322)	-	(322)	(3,095)	(3,417)
Profit for the period	-	-	-	-	93,300	93,300	59,822	153,122
Total comprehensive income for the year	-	-	-	(322)	93,300	92,978	56,727	149,705
Share options exercised	4,646	-	-	-	-	4,646	-	4,646
Share-based payments	-	-	7,621	-	-	7,621	178	7,799
Dividend to owners of the Company	-	-	-	-	(36,231)	(36,231)	-	(36,231)
Dividend to non-controlling interests	-	-	-	-	-	-	(12,393)	(12,393)
At 30 September 2019	306,392	(5,561)	224,615	82,034	581,969	1,189,449	562,414	1,751,863
At 1 January 2018	241,057	(5,561)	273,433	69,749	473,061	1,051,739	429,695	1,481,434
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	-	-	-	13,353	-	13,353	(4,045)	9,308
Profit for the period	-	-	-	-	106,918	106,918	61,296	168,214
Total comprehensive income for the year	-	-	-	13,353	106,918	120,271	57,251	177,522
Share-based payments	570	-	9,113	-	-	9,683	1,803	11,486
At 30 September 2018	241,627	(5,561)	282,546	83,102	520,443	1,122,157	486,674	1,608,831

(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 SEPTEMBER 2019 (3RD QUARTER)**

	Unaudited Year ended 30.09.2019 RM'000	Unaudited Year ended 30.09.2018 RM'000
Cash flows from operating activities		
Profit before tax	172,677	191,097
Depreciation and amortisation	53,308	44,035
Finance costs	33,135	15,260
Gain on disposal of property, plant and equipment	(6,233)	(533)
Net impairment loss on investment in associate	-	175
Net impairment loss/(recovery) on financial asset and receivables	(193)	2,510
Net loss/(gain) on derivatives	218	7,598
Net loss/(gain) on foreign exchange	1,939	9,015
Interest income	(9,452)	(3,237)
Net provision for warranties	3,836	559
Share-based payments	7,799	3,845
Share of profit of associates	(126,426)	(116,028)
Operating profit before changes in working capital	130,608	154,296
Receivables, deposits and prepayments	51,679	(10,468)
Inventories	(4,287)	33,805
Payables and accruals	(112,352)	54,426
Amount due from/(to) contract customers	(50,903)	(192,074)
Cash generated from operations	14,745	39,985
Net income taxes paid	(26,582)	6,117
Net cash generated/(used in) from operating activities	(11,837)	46,102
Cash flows from investing activities		
Additions to development expenditures	(997)	(6,814)
Dividend received from associates	5,783	20,887
Interest received	9,430	5,953
Proceeds from disposal of property, plant and equipment	9,804	24,672
Purchase of property, plant and equipment	(55,590)	(110,652)
Expenditure on land held for development	(2,246)	-
Net cash generated/(used in) investing activities	(33,816)	(65,954)

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019 (3RD QUARTER)**

	Unaudited Year ended 30.09.2019 RM'000	Unaudited Year ended 30.09.2018 RM'000
Cash flows from financing activities		
Dividend paid to owners of the Company	(36,231)	(33,693)
Dividend paid to non-controlling interests	(12,393)	-
Interests paid	(33,040)	(33,732)
Proceeds from exercise of share options	4,646	-
Net (repayment)/drawdown of loans and borrowings	98,715	47,424
Net cash generated/(used in) financing activities	21,697	(20,001)
Currency translation differences	(8,139)	(4,316)
Net increase/(decrease) in cash and cash equivalents	(32,095)	(44,169)
Cash and cash equivalents at 1 January	566,831	624,176
Cash and cash equivalents at 30 September	534,736	580,007

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

	30.09.2019 RM'000	30.09.2018 RM'000
Cash and bank balances	282,110	383,549
Deposits placed with licensed banks	266,995	198,726
Cash and cash equivalents as per Statement of Financial Position	549,105	582,275
Bank overdrafts	(14,369)	(2,268)
	534,736	580,007

(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 SEPTEMBER 2019 (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 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:

MFRSs and IC Interpretations
(Including the Consequential Amendments)

Effective Date

• 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:

MFRSs and IC Interpretations

(Including the Consequential Amendments, if any)

Effective Date

• 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 nine months financial period ended 30 September 2019, a total of 1,699,000 new ordinary shares was issued pursuant to the exercise of the Employees' Share Issuance Scheme ("SIS").

A8. DIVIDEND PAID

The Group has paid a first and final tax exempt dividend of 7.50 sen per ordinary shares totaling RM36.23 million on issued and paid up share capital (excluding treasury share) of 483,075,250 on 29 July 2019.

A9. SEGMENT REVENUE AND RESULTS

Financial data by business segment for the Group:

	Period ended 30.09.2019	
	Revenue	Profit
	RM'000	before tax RM'000
Infrastructure construction	861,911	25,970
Cranes	475,061	71,270
Share of Concessions profits (net of tax)	314,991	142,566
	<u>1,651,963</u>	<u>239,806</u>
Less: Group eliminations	(240,034)	(67,129)
	<u><u>1,411,929</u></u>	<u><u>172,677</u></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 28 November 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 28 November 2019 is approximately RM16 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 30 SEPTEMBER 2019 (3RD QUARTER)

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

B1. REVIEW OF GROUP PERFORMANCE (YTD Q3 2019 vs. YTD Q3 2018)

The Group reported lower consolidated revenue (including share of associates and joint ventures' revenue) of RM1.4 billion and profit after taxation of RM153.1 million for the financial period ended 30 September 2019 as compared to consolidated revenue (including share of associates and joint ventures' revenue) of RM1.5 billion and profit after taxation of RM168.2 million for the corresponding year ended 30 September 2018.

The marginal decrease in profit after taxation in Q3 2019 is mainly due to the lower turnover.

B2. COMPARISON WITH PRECEDING QUARTER RESULTS (Q3 2019 vs. Q2 2019)

The Group reported comparable profit after taxation of RM49.1 million for the current quarter as compared to profit after taxation of RM49.6 million for the preceding quarter.

B3. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 28 November 2019, the Group's total outstanding secured order book in hand for the construction and cranes division is RM 1.6 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 30.09.2019 RM'000	Cumulative Quarter 30.09.2019 RM'000
Depreciation and amortisation	17,642	53,308
Finance costs	10,822	33,135
Interest income	(2,255)	(9,452)
Net loss/(gain) on foreign exchange	(629)	1,939

B6. TAXATION

	Current Quarter 30.09.2019 RM'000	Cumulative Quarter 30.09.2019 RM'000
Current tax expense		
Malaysia	3,149	14,213
Overseas	603	3,244
	3,752	17,457
Deferred tax income		
Malaysia	2,529	2,098
Overseas	-	-
	2,529	2,098
Total tax expense	6,281	19,555

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		30.09.2019
	Currency	Amount	RM'000
Short term borrowings		'000	
Secured	RM	986	986
	AUD	797	2,255
	DKK	5,602	3,430
	Sub- total		6,671
Unsecured	RM	431,820	431,820
	DKK	12,165	7,449
	Sub- total		439,269
Total Short Term Borrowings			445,940
Long term borrowings			
Secured	RM	8,741	8,741
	DKK	26,595	16,284
	Sub- total		25,025
Unsecured	RM	30,247	30,247
Total Long Term Borrowings			55,272
Total gross borrowings			501,212

B9. UPDATES ON MATERIAL LITIGATIONS

The ongoing material litigations of the Group as at 28 November 2019 are as follows:

- (i) Eisenmann Anlagenbau GmbH & Co. KG ("Eisenmann")
The Tribunal has awarded QAR 0.72 million for Eisenmann's original claim against the Company of QAR 37.5 million.
- (ii) The Government Of Syrian Arab Republic
The ongoing litigation case remains status quo.
- (ii) TTCL Malaysia Sdn Bhd (formerly known as Toyo Thai Malaysia Sdn Bhd)
The ongoing litigation case 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 30.09.2019	Cumulative 30.09.2019	Current 30.09.2019	Cumulative 30.09.2019
Net profit attributable to the owners of the Company (RM'000)	29,428	93,300	29,428	93,300
Weighted average number of ordinary shares in issue ('000)	483,197	482,323	483,197	482,323
Effect of dilution: Share options ('000)	-	-	5,862	5,895
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	483,197	482,323	489,059	488,218
EPS (Sen)	6.09	19.34	6.02	19.11

By order of the Board of Directors
Company Secretary
Date : 28 November 2019