

MUHIBBAH ENGINEERING (M) BHD

Registration No. 197201001137 (12737-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021

	UNAUDITED AS AT 31.3.2021 RM'000	AUDITED AS AT 31.12.2020 RM'000
Assets		
Property, plant and equipment	1,041,268	1,052,255
Investment in associates	717,918	704,458
Other non-current assets	118,957	118,369
Total non-current assets	1,878,143	1,875,082
Receivables, deposits and prepayments	515,304	532,014
Contract assets	310,140	301,696
Inventories	322,098	328,020
Current tax assets and other assets	16,956	21,378
Cash and bank balances	683,008	628,418
Total current assets	1,847,506	1,811,526
Total assets	3,725,649	3,686,608
Equity		
Share capital	306,602	306,602
Reserves	799,523	780,074
Total equity attributable to owners of the Company	1,106,125	1,086,676
Non-controlling interests	591,956	584,549
Total equity	1,698,081	1,671,225
Liabilities		
Payables and accruals	4,093	3,201
Loans and borrowings	154,593	161,445
Deferred tax liabilities	78,015	77,978
Total non-current liabilities	236,701	242,624
Provision, payables and accruals	492,882	485,967
Contract liabilities	229,074	237,570
Bills payables	596,787	654,742
Loans and borrowings	462,347	379,312
Tax liabilities and other liabilities	9,777	15,168
Total current liabilities	1,790,867	1,772,759
Total liabilities	2,027,568	2,015,383
Total equity and liabilities	3,725,649	3,686,608
Net assets per share attributable to owners of the Company (RM)	2.29	2.25

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements)

MUHIBBAH ENGINEERING (M) BHD

Registration No. 197201001137 (12737-K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2021 (1ST QUARTER)**

(The figures have not been audited)

	Note	Current/Preceding Qtr Ended		Cumulative Qtr	
		31.3.2021 RM'000	31.3.2020 RM'000	31.3.2021 RM'000	31.3.2020 RM'000
Revenue (Note 1a)	A9	218,047	333,493	218,047	333,493
Cost of sales, other income and operating expenses		(204,058)	(325,556)	(204,058)	(325,556)
Results from operating activities		13,989	7,937	13,989	7,937
Interest income		1,375	1,019	1,375	1,019
Finance costs		(2,189)	(3,424)	(2,189)	(3,424)
Operating profit/(loss)	B5	13,175	5,532	13,175	5,532
Share of (loss)/profit of associates, net of tax		(6,603)	16,540	(6,603)	16,540
Profit before tax	B5	6,572	22,072	6,572	22,072
Tax expense	B6	(1,393)	(2,886)	(1,393)	(2,886)
Profit after tax for the period		5,179	19,186	5,179	19,186
Other comprehensive income/(expenses)					
Foreign currency translation differences for foreign operations		21,308	44,273	21,308	44,273
Other comprehensive income for the period		21,308	44,273	21,308	44,273
Total comprehensive income for the period		26,487	63,459	26,487	63,459
Profit attributable to:					
Owners of the Company		5,321	5,100	5,321	5,100
Non-controlling interests		(142)	14,086	(142)	14,086
Profit for the period		5,179	19,186	5,179	19,186
Total comprehensive income attributable to:					
Owners of the Company		19,141	38,095	19,141	38,095
Non-controlling interests		7,346	25,364	7,346	25,364
Total comprehensive income for the period		26,487	63,459	26,487	63,459
Earnings per ordinary share					
Basic (Sen)	B11	1.10	1.06	1.10	1.06
Diluted (Sen)	B11	1.10	1.06	1.10	1.06
Note (1a) - Proforma Revenue					
Revenue as reported above		218,047	333,493	218,047	333,493
Share of revenue of associates		44,698	97,133	44,698	97,133
Total revenue		262,745	430,626	262,745	430,626
<u>Note</u>					
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 2020 and the accompanying explanatory notes attached to the interim financial statements)

MUHIBBAH ENGINEERING (M) BHD
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2021 (1ST QUARTER)
(The figures have not been audited)

	← Attributable to shareholders of the Company →							
	Share capital RM'000	Treasury shares RM'000	Non-distributable		Distributable	Total equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	
Reserves attributable to capital RM'000			Reserve attributable to revenue RM'000	Retained earnings RM'000				
At 1 January 2021	306,602	(5,561)	335,821	61,317	388,497	1,086,676	584,549	1,671,225
Foreign currency translation differences for foreign operations	-	-	-	13,820	-	13,820	7,488	21,308
Profit after tax for the period	-	-	-	-	5,321	5,321	(142)	5,179
Total comprehensive income/(expense) for the period	-	-	-	13,820	5,321	19,141	7,346	26,487
Share-based payments	-	-	308	-	-	308	61	369
At 31 March 2021	306,602	(5,561)	336,129	75,137	393,818	1,106,125	591,956	1,698,081
At 1 January 2020	306,438	(5,561)	220,287	68,254	523,583	1,113,001	563,724	1,676,725
Foreign currency translation differences for foreign operations	-	-	-	32,995	-	32,995	11,278	44,273
Profit after tax for the period	-	-	-	-	5,100	5,100	14,086	19,186
Total comprehensive income/(expense) for the period	-	-	-	32,995	5,100	38,095	25,364	63,459
Share options exercised	135	-	-	-	-	135	-	135
Transfer to share capital for share options exercised	29	-	(29)	-	-	-	-	-
Share-based payments	-	-	706	-	-	706	158	864
Issuance of shares to non-controlling interests	-	-	-	-	-	-	183	183
At 31 March 2020	306,602	(5,561)	220,964	101,249	528,683	1,151,937	589,429	1,741,366

(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 2020 and the accompanying explanatory notes attached to the interim financial statements)

MUHIBBAH ENGINEERING (M) BHD

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(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2021 (1ST QUARTER)**

(The figures have not been audited)

	For the 3 Months Period ended 31.3.2021 RM'000	For the 3 Months Period ended 31.3.2020 RM'000
Cash flows from operating activities		
Profit before tax	6,572	22,072
Adjustments for non-cash items/non-operating items:		
Depreciation and amortisation	15,512	19,197
Finance costs	9,800	3,424
Gain on disposal of property, plant and equipment	(995)	(708)
Net (recovery)/impairment on financial assets and receivables	(3,057)	(783)
Net loss on derivatives	7,935	1,127
Net (gain)/loss on foreign exchange	(14,907)	(1,641)
Interest income	(1,375)	(1,019)
Net provision for warranties	859	(1,673)
Share-based payments	369	866
Share of loss/(profit) of associates	6,603	(16,540)
Operating profit before changes in working capital	27,316	24,322
Changes in working capital:		
Receivables, deposits and prepayments	9,700	46,557
Inventories	5,922	(8,586)
Payables and accruals	28,962	(62,410)
Amount due from/(to) contract customers	(11,710)	26,307
Cash generated from operations	60,190	26,190
Net income taxes paid	(13,300)	(12,613)
Net cash generated from operating activities	46,890	13,577
Cash flows from investing activities		
Additions to development expenditures	(9)	(15)
Interest received	1,364	1,013
Proceeds from disposal of property, plant and equipment	1,237	1,167
Purchase of property, plant and equipment	(4,973)	(15,759)
Net cash used in investing activities	(2,381)	(13,594)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2021 (1ST QUARTER)
(The figures have not been audited)

	For the 3 Months Period ended 31.3.2021 RM'000	For the 3 Months Period ended 31.3.2020 RM'000
Cash flows from financing activities		
Interests paid	(9,761)	(3,384)
Proceeds from exercise of share options	-	135
Proceeds from issuance of shares to non-controlling interests	-	183
Net drawdown/(repayment) of loans and borrowings	7,124	(88,965)
Net cash (used in)/generated from financing activities	(2,637)	(92,031)
Currency translation differences	1,650	(1,631)
Net increase in cash and cash equivalents	43,522	(93,679)
Cash and cash equivalents at 1 January	621,425	575,919
Cash and cash equivalents at 31 March	664,947	482,240

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

	31.3.2021 RM'000	31.3.2020 RM'000
Cash and bank balances	294,749	260,672
Deposits placed with licensed banks	388,259	269,534
Cash and cash equivalents as per Statement of Financial Position	683,008	530,206
Bank overdrafts	(18,061)	(47,966)
	664,947	482,240

(The Condensed Consolidated Cash Flow statements should be read in conjunction with the audited financial statements for the year ended 31 December 2020 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 31 MARCH 2021 (1ST 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") and 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 2019. 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 2020.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2020 and for the adoption of the Amendments and Annual Improvements to Standards effective from 1 January 2021:

MFRSs and IC Interpretations

(Including the Consequential Amendments)

Effective Date

- | | |
|---|----------------|
| • Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16:
Interest Rate Benchmark Reform – Phase 2 | 1 January 2021 |
| • Amendment to MFRS 16 Leases: Covid-19-Related Rent Concessions | 1 June 2020 |

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

- | | |
|--|----------------|
| • Amendment to MFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 | 1 April 2021 |
| • Amendments to MFRS 3: Reference to the Conceptual Framework | 1 January 2022 |
| • Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use | 1 January 2022 |
| • Amendments to MFRS 137: Onerous Contract - Cost of Fulfilling a Contract | 1 January 2022 |
| • Annual Improvements to MFRS Standards 2018-2020 | 1 January 2022 |
| • Amendments to MFRS 101: Classification of Liabilities as Current or Non-current | 1 January 2023 |
| • Amendments to MFRS 101: Disclosure of Accounting Policies | 1 January 2023 |
| • Amendments to MFRS 108: Definition of Accounting Estimates | 1 January 2023 |
| • MFRS 17 Insurance Contracts and Amendments | 1 January 2023 |
| • Amendments to MFRS 107 Insurance Contracts | 1 January 2023 |
| • 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 2020 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 that have a material effect on the current quarter results.

A7. DEBT AND EQUITY SECURITIES

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the period under review.

A8. DIVIDEND PAID

There is no dividend paid during the quarter and financial period under review.

A9. SEGMENT REVENUE AND RESULTS

Financial data by business segment for the Group:

	Period ended 31.3.2021	
	Revenue RM'000	Profit/(Loss) before tax RM'000
Infrastructure construction	151,976	376
Cranes and automation	128,372	12,704
Share of Concessions profits/(loss) (net of tax)	29,566	(7,151)
	<u>309,914</u>	<u>5,929</u>
Less: Group eliminations	(47,169)	643
	<u><u>262,745</u></u>	<u><u>6,572</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 20 May 2021, which would likely to substantially affect the results of the Group for year 2021.

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 31 March 2021 is approximately RM13 million.

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ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2021 (1ST QUARTER)

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

B1. REVIEW OF GROUP PERFORMANCE (YTD Q1 2021 vs. YTD Q1 2020)

The Group reported lower consolidated revenue (including share of associates' revenue) of RM262.7 million and profit before tax of RM6.6 million for the financial period ended 31 March 2021 as compared to consolidated revenue (including share of associates' revenue) of RM430.6 million and profit before tax of RM22.1 million for the corresponding period ended 31 March 2020.

This is mainly due to first quarter 2020 has not been affected by the COVID-19 as the Movement Control Order and global lockdown mainly commenced subsequent to first quarter 2020 which has material adverse impact to the construction, cranes and airport concession business of the Group.

B2. COMPARISON WITH PRECEDING QUARTER RESULTS (Q1 2021 vs. Q4 2020)

The Group reported lower consolidated revenue (including share of associates' revenue) of RM262.7 million as compared to consolidated revenue (including share of associates' revenue) of RM458.3 million in the preceding quarter mainly due to lower work performed from Infrastructure and lower contribution from Associates under Concession segment.

The Group reported profit before tax of RM6.6 million for the current quarter as compared to loss before tax of RM32.1 million for the preceding quarter mainly due to provision for impairment for the Group's plant and equipment of RM43.4 million taken up in the preceding quarter.

B3. GROUP'S PROSPECT

a) Secured Order Book

As at 20 May 2021, the Group's total outstanding secured order book in hand for the construction and cranes division is RM949 million.

b) Current Year's Prospect

The overall global economy is facing great challenges as a result of the COVID-19 pandemic coupled with the volatility in crude oil prices. The mutation of COVID-19 versus the execution of vaccination has impact on the volatile development of the global economy. Bank Negara Malaysia ("BNM") has reported that Malaysia's GDP shrank by 0.5% in the first quarter of 2021 as compared with a contraction of 3.4% in the fourth quarter of 2020. The construction sector recorded a decline of 10.4% in first quarter 2021 as compared to 13.9% in fourth quarter 2020.

In view of the above factors and barring any other unforeseen circumstances, the Group continues taking appropriate measures and actions to cater for the business needs moving forward.

B4. PROFIT FORECAST

The Group has not issued any profit forecast to authorities and is not subject to any profit guarantee.

B5. PROFIT/(LOSS) BEFORE TAX

	Current Quarter 31.3.2021 RM'000	Cumulative Quarter 31.3.2021 RM'000
Profit/(Loss) before tax is arrived at after (crediting)/charging the following:		
Depreciation and amortisation	15,512	15,512
Finance costs	9,800	9,800
Interest income	(1,375)	(1,375)
Net gain on foreign exchange	(14,907)	(14,907)
Net loss on derivatives	7,935	7,935
Gain on disposal of property, plant and equipment	(995)	(995)
Net recovery of impairment on financial assets and receivables	(3,057)	(3,057)

B6. TAXATION

	Current Quarter 31.3.2021 RM'000	Cumulative Quarter 31.3.2021 RM'000
Current tax expense		
Malaysia	404	404
Overseas	970	970
	1,374	1,374
Deferred tax income		
Malaysia	19	19
Overseas	-	-
	19	19
Total tax expense	1,393	1,393

The Group's effective tax rate (excluding the results of associates which are equity accounted net of tax) for the financial year is lower than the statutory tax rate mainly due to utilisation of deferred tax assets previously not recognised.

B7. CORPORATE PROPOSALS

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

B8. GROUP BORROWINGS AND DEBT SECURITIES

	Foreign Currency		31.3.2021 RM'000
	Currency	Amount	
Short term borrowings		'000	
Secured	RM	2,346	2,346
	DKK	42,220	27,619
	Sub- total		29,965
Unsecured	RM	430,076	430,076
	AUD	558	1,763
	USD	131	543
	Sub- total		432,382
Total Short Term Borrowings			462,347
Long term borrowings			
Secured	RM	8,034	8,034
	DKK	61,236	40,059
	Sub- total		48,093
Unsecured	RM	106,500	106,500
Total Long Term Borrowings			154,593
Total Gross Borrowings			616,940

B9. UPDATES ON MATERIAL LITIGATIONS

As at 20 May 2021, the material arbitration cases for the Group namely (i) The Government Of Syrian Arab Republic, and (ii) TTCL Malaysia Sdn Bhd (formerly known as Toyo Thai Malaysia Sdn Bhd) remain ongoing.

(iii) Additional tax assessment from the Inland Revenue Board of Malaysia ("IRB")

The Inland Revenue Board of Malaysia ("IRB") has issued additional tax assessment of total RM23 million (Company: RM 12 million) to the Company and one of its wholly owned subsidiary for previous years of assessment by disallowing tax deduction on accruals made for project costs incurred and the related group tax relief for the subsidiary.

The tax solicitor and the Board are of the view that IRB has no legal and factual basis for such additional tax assessment. Pending judicial review and case management, both the High Court and Court of Appeal of Malaysia have granted an interim stay and stay order in favor of the Company and the subsidiary respectively.

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 31.3.2021	Cumulative 31.3.2021	Current 31.3.2021	Cumulative 31.3.2021
Net profit attributable to the owners of the Company (RM'000)	5,321	5,321	5,321	5,321
Weighted average number of ordinary shares in issue ('000)	483,445	483,445	483,445	483,445
Effect of dilution: Share options ('000) *	-	-	N/A	N/A
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	483,445	483,445	483,445	483,445
EPS (Sen)	1.10	1.10	1.10	1.10

B12. 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 : 27 May 2021