

MUHIBBAH ENGINEERING (M) BHD

Registration No. 197201001137 (12737-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	UNAUDITED AS AT 30.6.2021 RM'000	AUDITED AS AT 31.12.2020 RM'000
Assets		
Property, plant and equipment	1,028,082	1,052,255
Investment in associates	709,167	704,458
Other non-current assets	120,082	118,369
Total non-current assets	1,857,331	1,875,082
Receivables, deposits and prepayments	481,507	532,014
Contract assets	343,420	301,696
Inventories	338,035	328,020
Current tax assets and other assets	17,590	21,378
Cash and bank balances	522,449	628,418
Total current assets	1,703,001	1,811,526
Total assets	3,560,332	3,686,608
Equity		
Share capital	306,602	306,602
Reserves	802,663	780,074
Total equity attributable to owners of the Company	1,109,265	1,086,676
Non-controlling interests	577,304	584,549
Total equity	1,686,569	1,671,225
Liabilities		
Payables and accruals	4,098	3,201
Loans and borrowings	145,821	161,445
Deferred tax liabilities	78,326	77,978
Total non-current liabilities	228,245	242,624
Provision, payables and accruals	503,291	485,967
Contract liabilities	184,640	237,570
Bills payables	542,909	654,742
Loans and borrowings	405,584	379,312
Tax liabilities and other liabilities	9,094	15,168
Total current liabilities	1,645,518	1,772,759
Total liabilities	1,873,763	2,015,383
Total equity and liabilities	3,560,332	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 30 JUNE 2021 (2ND QUARTER)**

(The figures have not been audited)

	Note	Current/Preceding Qtr Ended		Cumulative Qtr	
		30.6.2021 RM'000	30.6.2020 RM'000	30.6.2021 RM'000	30.6.2020 RM'000
Revenue (Note 1a)	A9	289,468	271,056	507,515	604,549
Cost of sales, other income and operating expenses		(265,930)	(274,826)	(469,988)	(600,382)
Results from operating activities		23,538	(3,770)	37,527	4,167
Interest income		1,790	3,227	3,165	4,246
Finance costs		(6,597)	(8,831)	(8,786)	(12,255)
Other expenses		-	(11,000)	-	(11,000)
Operating profit/(loss)	B5	18,731	(20,374)	31,906	(14,842)
Share of (loss)/profit of associates, net of tax		(9,595)	(10,561)	(16,198)	5,979
Profit/(Loss) before tax	B5	9,136	(30,935)	15,708	(8,863)
Tax expense	B6	(4,371)	(3,980)	(5,764)	(6,866)
Profit/(Loss) after tax for the period		4,765	(34,915)	9,944	(15,729)
Other comprehensive income/(expenses)					
Foreign currency translation differences for foreign operations		1,980	(3,899)	23,288	40,374
Other comprehensive income/(expense) for the period		1,980	(3,899)	23,288	40,374
Total comprehensive income/(expense) for the period		6,745	(38,814)	33,232	24,645
Profit/(Loss) attributable to:					
Owners of the Company		1,169	(39,705)	6,490	(34,605)
Non-controlling interests		3,596	4,790	3,454	18,876
Profit/(Loss) for the period		4,765	(34,915)	9,944	(15,729)
Total comprehensive income attributable to:					
Owners of the Company		2,831	(45,478)	21,972	(7,383)
Non-controlling interests		3,914	6,664	11,260	32,028
Total comprehensive income for the period		6,745	(38,814)	33,232	24,645
Earnings per ordinary share					
Basic (Sen)	B11	0.24	(8.22)	1.34	(7.16)
Diluted (Sen)	B11	0.24	(8.22)	1.34	(7.16)
Note (1a) - Proforma Revenue					
Revenue as reported above		289,468	271,056	507,515	604,549
Share of revenue of associates		36,087	34,187	80,785	131,320
Total revenue		325,555	305,243	588,300	735,869

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 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 CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2021 (2ND 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 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	-	-	-	15,482	-	15,482	7,806	23,288
Profit/(Loss) after tax for the period	-	-	-	-	6,490	6,490	3,454	9,944
Total comprehensive income/(expense) for the period	-	-	-	15,482	6,490	21,972	11,260	33,232
Share-based payments	-	-	617	-	-	617	122	739
Dividend to non-controlling interests	-	-	-	-	-	-	(18,627)	(18,627)
At 30 June 2021	306,602	(5,561)	336,438	76,799	394,987	1,109,265	577,304	1,686,569
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	-	-	-	27,222	-	27,222	13,152	40,374
Profit/(Loss) after tax for the period	-	-	-	-	(34,605)	(34,605)	18,876	(15,729)
Total comprehensive income/(expense) for the period	-	-	-	27,222	(34,605)	(7,383)	32,028	24,645
Share options exercised	135	-	-	-	-	135	-	135
Transfer to share capital for share options exercised	29	-	(29)	-	-	-	-	-
Share-based payments	-	-	1,446	-	-	1,446	284	1,730
Issuance of shares to non-controlling interests	-	-	-	-	-	-	183	183
Dividend to non-controlling interests	-	-	-	-	-	-	(4,998)	(4,998)
At 30 June 2020	306,602	(5,561)	221,704	95,476	488,978	1,107,199	591,221	1,698,420

(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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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2021 (2ND QUARTER)

(The figures have not been audited)

	For the 6 Months Period ended 30.6.2021 RM'000	For the 6 Months Period ended 30.6.2020 RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	15,708	(8,863)
Adjustments for non-cash items/non-operating items:		
Depreciation and amortisation	37,847	29,746
Other expenses - one off provision for restructuring costs	-	11,000
Finance costs	19,320	12,255
Gain on disposal of property, plant and equipment	(1,050)	(1,126)
Net (recovery)/impairment on financial assets and receivables	(4,570)	2,641
Net loss on derivatives	6,699	839
Net (gain)/loss on foreign exchange	(12,678)	825
Interest income	(3,165)	(4,246)
Net provision for warranties	1,368	(773)
Share-based payments	739	1,732
Share of loss/(profit) of associates	16,198	(5,979)
Operating profit before changes in working capital	76,416	38,051
Changes in working capital:		
Receivables, deposits and prepayments	45,406	101,731
Inventories	(10,016)	(11,682)
Payables and accruals	(2,702)	(106,728)
Amount due from/(to) contract customers	(57,923)	67,757
Cash generated from operations	51,181	89,129
Net income taxes paid	(15,609)	(23,268)
Net cash generated from operating activities	35,572	65,861
Cash flows from investing activities		
Additions to development expenditures	(34)	(602)
Dividend received from associates	-	2,100
Interest received	2,904	4,236
Proceeds from disposal of property, plant and equipment	2,156	4,884
Purchase of property, plant and equipment	(12,616)	(23,586)
Expenditure on land held for development	(2,246)	(2,246)
Net cash used in investing activities	(9,836)	(15,214)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021 (2ND QUARTER)
(The figures have not been audited)

	For the 6 Months Period ended 30.6.2021 RM'000	For the 6 Months Period ended 30.6.2020 RM'000
Cash flows from financing activities		
Dividend paid to non-controlling interests	(11,210)	(4,998)
Interests paid	(19,240)	(12,175)
Proceeds from exercise of share options	-	135
Proceeds from issuance of shares to non-controlling interests	-	183
Net repayment of loans and borrowings	(118,870)	(105,112)
Net cash used in financing activities	(149,320)	(121,967)
Currency translation differences	(34)	(78)
Net decrease in cash and cash equivalents	(123,618)	(71,398)
Cash and cash equivalents at 1 January	621,425	575,919
Cash and cash equivalents at 30 June	497,807	504,521

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

	30.6.2021 RM'000	30.6.2020 RM'000
Cash and bank balances	202,688	238,145
Deposits placed with licensed banks	319,761	285,481
Cash and cash equivalents as per Statement of Financial Position	522,449	523,626
Bank overdrafts	(24,642)	(19,105)
	497,807	504,521

(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 30 JUNE 2021 (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") 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 2020. 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 30.6.2021	
	Revenue RM'000	Profit/(Loss) before tax RM'000
Infrastructure construction	382,113	33,876
Cranes and automation	281,541	31,940
Share of Concessions profits/(loss) (net of tax)	59,057	(14,274)
	<u>722,711</u>	<u>51,542</u>
Less: Group eliminations	(134,411)	(35,834)
	<u><u>588,300</u></u>	<u><u>15,708</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 September 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 30 June 2021 is approximately RM13 million.

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ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 30 JUNE 2021 (2ND QUARTER)

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

B1. REVIEW OF GROUP PERFORMANCE (YTD Q2 2021 vs. YTD Q2 2020)

The Group reported consolidated revenue (including share of associates' revenue) of RM588.3 million and profit before tax of RM15.7 million for the financial period ended 30 June 2021 as compared to consolidated revenue (including share of associates' revenue) of RM735.9 million and loss before tax of RM8.9 million for the corresponding period ended 30 June 2020.

The Group has higher revenue in 2020 mainly due to first quarter 2020 has not been affected by the COVID-19 as the Movement Control Order and global lockdown mainly commenced from second quarter 2020 which has adverse impact to the construction, cranes and airport concession business of the Group. On the other hand, there was a provision for staff restructuring exercise to streamline operational costs in second quarter 2020 of RM11 million.

The Cambodia Airports concession incurred losses due to low passengers arrival resulted from travelling ban and COVID lock down during the quarter.

The Construction and Cranes divisions have performed better in the current period due to margin improvement.

B2. COMPARISON WITH PRECEDING QUARTER RESULTS (Q2 2021 vs. Q1 2021)

The Group reported higher consolidated revenue (including share of associates' revenue) of RM325.6 million as compared to consolidated revenue (including share of associates' revenue) of RM262.7 million in the preceding quarter mainly due to higher work performed from Infrastructure and higher sales from Cranes segment during this quarter.

The Group reported higher profit before tax of RM9.1 million for the current quarter as compared to profit before tax of RM6.6 million for the preceding quarter mainly due to higher contribution from Cranes manufacturing division.

B3. GROUP'S PROSPECT

a) Secured Order Book

As at 20 September 2021, the Group's total outstanding secured order book in hand for the construction and cranes division is RM940 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. With the higher national vaccination rate achieved, economy is on the path of recovery. Bank Negara Malaysia ("BNM") has reported that Malaysia's GDP grew by 16.1% in the second quarter of 2021 as compared with a contraction of 0.5% in the first quarter of 2021.

In view of the above factors and barring any other unforeseen circumstances, the Group continues taking appropriate measures and actions in tandem with the economy development.

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 30.6.2021 RM'000	Cumulative Quarter 30.6.2021 RM'000
Profit/(Loss) before tax is arrived at after (crediting)/charging the following:		
Depreciation and amortisation	22,335	37,847
Finance costs	9,520	19,320
Interest income	(1,790)	(3,165)
Net (gain)/loss on foreign exchange	2,229	(12,678)
Net loss/(gain) on derivatives	(1,236)	6,699
Gain on disposal of property, plant and equipment	(95)	(1,050)
Net recovery of impairment on financial assets and receivables	(1,513)	(4,570)

B6. TAXATION

	Current Quarter 30.6.2021 RM'000	Cumulative Quarter 30.6.2021 RM'000
Current tax expense		
Malaysia	1,144	1,548
Overseas	1,857	2,827
	3,001	4,375
Deferred tax income		
Malaysia	1,370	1,389
Overseas	-	-
	1,370	1,389
Total tax expense	4,371	5,764

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		30.6.2021 RM'000
	Currency	Amount	
Short term borrowings		'000	
Secured	RM	589	589
	AUD	889	2,768
	DKK	65,614	43,518
	Sub- total		46,875
Unsecured	RM	358,335	358,335
	USD	90	374
	Sub- total		358,709
Total Short Term Borrowings			405,584
Long term borrowings			
Secured	RM	7,915	7,915
	DKK	47,353	31,406
	Sub- total		39,321
Unsecured	RM	106,500	106,500
Total Long Term Borrowings			145,821
Total Gross Borrowings			551,405

B9. UPDATES ON MATERIAL LITIGATIONS

As at 20 September 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 Court of Appeal of Malaysia has granted stay order in favor of the Company and the subsidiary.

The IRB has subsequently made an application to the Federal Court in respect of the stay order granted to the Company. The case management is fixed in January 2022.

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 30.6.2021	Cumulative 30.6.2021	Current 30.6.2021	Cumulative 30.6.2021
Net profit attributable to the owners of the Company (RM'000)	1,169	6,490	1,169	6,490
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)	0.24	1.34	0.24	1.34

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 : 30 September 2021