

MUHIBBAH ENGINEERING (M) BHD

Registration No. 197201001137 (12737-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	UNAUDITED AS AT 30.6.2023 RM'000	AUDITED AS AT 31.12.2022 RM'000
Assets		
Property, plant and equipment	1,136,947	1,133,269
Investment in associates	781,751	719,720
Other non-current assets	137,978	145,431
Total non-current assets	2,056,676	1,998,420
Receivables, deposits and prepayments	467,703	420,758
Contract assets	272,688	284,174
Inventories	315,187	299,851
Current tax assets and other assets	17,380	19,424
Cash and bank balances	277,640	308,419
Total current assets	1,350,598	1,332,626
Total assets	3,407,274	3,331,046
Equity		
Share capital	426,474	426,474
Reserves	880,987	832,857
Total equity attributable to owners of the Company	1,307,461	1,259,331
Non-controlling interests	494,938	500,411
Total equity	1,802,399	1,759,742
Liabilities		
Payables and accruals	42,204	3,169
Loans and borrowings	98,253	103,359
Hire purchase and lease liabilities	14,495	12,775
Deferred tax liabilities	111,080	108,867
Total non-current liabilities	266,032	228,170
Provision, payables and accruals	370,326	421,208
Contract liabilities	273,611	186,384
Bills payables	377,492	418,440
Loans and borrowings	290,644	287,864
Hire purchase and lease liabilities	14,302	20,085
Tax liabilities and other liabilities	12,468	9,153
Total current liabilities	1,338,843	1,343,134
Total liabilities	1,604,875	1,571,304
Total equity and liabilities	3,407,274	3,331,046
Net assets per share attributable to owners of the Company (RM)	1.80	1.73

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2022 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 2023 (2ND QUARTER)

(The figures have not been audited)

	Note	Current/Preceding Qtr Ended		Cumulative Qtr	
		30.6.2023 RM'000	30.6.2022 RM'000	30.6.2023 RM'000	30.6.2022 RM'000
Revenue (Note 1a)	A9	324,000	196,425	527,718	371,617
Cost of sales, other income and operating expenses		(317,805)	(188,589)	(515,419)	(355,839)
Results from operating activities		6,195	7,836	12,299	15,778
Interest income		1,597	2,860	2,745	3,417
Finance costs		(5,476)	(4,807)	(10,105)	(7,383)
Operating profit/(loss)	B5	2,316	5,889	4,939	11,812
Share of profit/(loss) of associates, net of tax		8,034	2,065	18,185	(2,513)
Profit/(Loss) before tax	B5	10,350	7,954	23,124	9,299
Tax expense	B6	(4,908)	(2,863)	(9,176)	(4,528)
Profit/(Loss) after tax for the period		5,442	5,091	13,948	4,771
Other comprehensive income					
Foreign currency translation differences for foreign operations		42,568	30,400	46,800	35,500
Other comprehensive income/(loss) for the period		42,568	30,400	46,800	35,500
Total comprehensive income/(loss) for the period		48,010	35,491	60,748	40,271
Profit/(Loss) attributable to:					
Owners of the Company		5,130	1,339	7,174	1,807
Non-controlling interests		312	3,752	6,774	2,964
Profit/(Loss) for the period		5,442	5,091	13,948	4,771
Total comprehensive income/(expense) attributable to:					
Owners of the Company		32,394	22,798	37,469	25,495
Non-controlling interests		15,616	12,693	23,279	14,776
Total comprehensive income/(expense) for the period		48,010	35,491	60,748	40,271
Earnings/(Loss) per ordinary share					
Basic (Sen)	B11	0.71	0.20	0.99	0.32
Diluted (Sen)	B11	0.68	0.20	0.96	0.32
Note (1a) - Proforma Revenue					
Revenue as reported above		324,000	196,425	527,718	371,617
Share of revenue of associates		92,757	53,557	167,260	97,546
Total revenue		416,757	249,982	694,978	469,163

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 2022 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 PERIOD ENDED 30 JUNE 2023 (2ND 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 2023	426,474	(5,561)	343,257	97,293	397,868	1,259,331	500,411	1,759,742
Foreign currency translation differences for foreign operations	-	-	-	30,295	-	30,295	16,505	46,800
Profit/(Loss) after tax for the period	-	-	-	-	7,174	7,174	6,774	13,948
Total comprehensive income/(expense) for the period	-	-	-	30,295	7,174	37,469	23,279	60,748
Share-based payments	-	-	1,841	-	-	1,841	552	2,393
Accretion of interests in subsidiary	-	-	3,729	330	4,761	8,820	(21,975)	(13,155)
Dividend to non-controlling interests	-	-	-	-	-	-	(6,868)	(6,868)
Deconsolidation of a subsidiary	-	-	-	-	-	-	(461)	(461)
At 30 June 2023	426,474	(5,561)	348,827	127,918	409,803	1,307,461	494,938	1,802,399
At 1 January 2022	306,602	(5,561)	337,508	75,725	388,132	1,102,406	560,599	1,663,005
Foreign currency translation differences for foreign operations	-	-	-	23,688	-	23,688	11,812	35,500
Profit/(Loss) after tax for the period	-	-	-	-	1,807	1,807	2,964	4,771
Total comprehensive income/(expense) for the period	-	-	-	23,688	1,807	25,495	14,776	40,271
Issuance of shares pursuant to right issue	119,935	-	-	-	-	119,935	-	119,935
Accretion of interest in subsidiary	-	-	936	338	6,014	7,288	(25,241)	(17,953)
Issuance of shares to non-controlling interests	-	-	(6,978)	(292)	2,216	(5,054)	30,829	25,775
Dividend to non-controlling interests	-	-	-	-	-	-	(112,969)	(112,969)
Disposal of a subsidiary	-	-	-	-	-	-	(142)	(142)
At 30 June 2022	426,537	(5,561)	331,466	99,459	398,169	1,250,070	467,852	1,717,922

(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 2022 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 2023 (2ND QUARTER)

(The figures have not been audited)

	For the 6 Months Period ended 30.6.2023 RM'000	For the 6 Months Period ended 30.6.2022 RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	23,124	9,299
Adjustments for non-cash items/non-operating items:		
Depreciation and amortisation	38,807	37,296
Finance costs	17,566	13,982
Loss/(Gain) on disposal of property, plant and equipment	192	(914)
Inventories written-off	-	4
(Gain)/Loss on disposal of assets held for sale	(5,005)	-
Net impairment loss on investment in associate	302	-
Net impairment/(recovery) on financial assets and receivables	9,854	(2,350)
Net (gain)/loss on fair value adjustments on derivative instruments	3,867	610
Net loss/(gain) on foreign exchange	(14,775)	(10,030)
Interest income	(2,745)	(3,417)
Property, plant and equipment written off	7	-
Net provision/(reversal) for warranties	1,749	(1,602)
Share-based payments	2,393	-
Share of (profit)/loss of associates	(18,185)	2,513
(Reversal)/Provision for slow moving stocks	(1,033)	(1,163)
Loss/(Gain) on disposal of a subsidiary	-	193
(Reversal)/Provision for foreseeable losses	(371)	(2,855)
Operating profit/(loss) before changes in working capital	55,747	41,566
Changes in working capital:		
Receivables, deposits and prepayments	(41,084)	17,759
Inventories	(14,304)	(22,174)
Payables and accruals	(11,243)	(9,934)
Amount due from/(to) contract customers	94,084	46,519
Cash generated from/(used in) operations	83,200	73,736
Net income taxes paid	(10,162)	(10,779)
Net cash generated from/(used in) operating activities	73,038	62,957
Cash flows from investing activities		
Additions to development expenditures	(47)	(229)
Acquisition of additional interests in subsidiary	(13,155)	(17,953)
Disposal of a subsidiary, net of cash disposed	-	(448)
Deconsolidation of a subsidiary	(461)	-
Investment in assets available-for-sale	-	(4,298)
Dividend received from associates	2,100	2,100
Interest received	2,745	3,505
Investment in associates	(2,041)	-
Proceeds from disposal of assets held for sale	8,300	-
Proceeds from disposal of property, plant and equipment	1,150	5,259
Purchase of property, plant and equipment	(30,286)	(9,196)
Addition to other non-current assets	-	(2,246)
Net cash generated from/(used in) investing activities	(31,695)	(23,506)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**FOR THE PERIOD ENDED 30 JUNE 2023 (2ND QUARTER)**

(The figures have not been audited)

	For the 6 Months Period ended 30.6.2023 RM'000	For the 6 Months Period ended 30.6.2022 RM'000
Cash flows from financing activities		
Dividend paid to non-controlling interests	(6,868)	(105,544)
Interests paid	(17,520)	(14,056)
Net proceeds from Rights Issue	-	119,935
Proceeds from issuance of shares to non-controlling interests	-	25,775
Net drawdown/(repayment) of loans and borrowings	(41,629)	(85,648)
Net cash generated from/(used in) financing activities	(66,017)	(59,538)
Currency translation differences	2,167	8,730
Net increase/(decrease) in cash and cash equivalents	(22,507)	(11,357)
Cash and cash equivalents at 1 January	284,709	441,594
Cash and cash equivalents at 30 June	262,202	430,237

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

	30.6.2023 RM'000	30.6.2022 RM'000
Cash and bank balances	167,113	274,860
Short-term investments	43,341	-
Deposits placed with licensed banks	67,186	178,923
Cash and cash equivalents as per Statement of Financial Position	277,640	453,783
Bank overdrafts	(15,438)	(23,546)
	262,202	430,237

(The Condensed Consolidated Cash Flow statements should be read in conjunction with the audited financial statements for the year ended 31 December 2022 and the accompanying notes attached to the interim financial statements)

MUHIBBAH ENGINEERING (M) BHD
Registration No. 197201001137 (12737-K)
(Incorporated in Malaysia)

ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 30 JUNE 2023 (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 2022. 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 2022.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2022 and for the adoption of the Amendments and Annual Improvements to Standards effective from 1 January 2023:

MFRSs and IC Interpretations

(Including the Consequential Amendments)

Effective Date

- | | |
|--|----------------|
| • Amendment to MFRS 17: Initial Application of MFRS 17 and MRFS 9 - Comparative Information | 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 |
| • Amendments to MFRS 112: Deferred Tax relates to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |
| • MFRS 17 Insurance Contracts | 1 January 2023 |
| • Amendments to MFRS 17 Insurance Contracts | 1 January 2023 |

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 16: Lease Liability in a Sale and Leaseback | 1 January 2024 |
| • Amendments to MFRS 101: Non-current Liabilities with Covenants | 1 January 2024 |
| • Amendments to MFRS 101: Classification of Liabilities as Current or Non-current | 1 January 2024 |
| • Amendments to MFRS 107 and MFRS 7: Statement of Cash Flows and Financial Instruments: Disclosure | 1 January 2024 |
| • Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 January 2024
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 2022 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 30.6.2023	
	Revenue RM'000	Profit/(Loss) before tax RM'000
Infrastructure construction	365,000	3,499
Cranes and automation	314,800	33,960
Share of Concessions profits/(loss) (net of tax)	150,988	18,768
	830,788	56,227
Less: Group eliminations	(135,810)	(33,103)
	<u>694,978</u>	<u>23,124</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 18 August 2023, which would likely to substantially affect the results of the Group for year 2023.

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 18 August 2023 is approximately RM8.9 million.

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**ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 30 JUNE 2023 (2ND QUARTER)**

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

B1. REVIEW OF GROUP PERFORMANCE (YTD 2023 vs. YTD 2022)

The Group reported higher consolidated revenue (including share of associates' revenue) of RM694.9 million with higher profit before tax of RM23.1 million for the financial period ended 30 June 2023 as compared to consolidated revenue (including share of associates' revenue) of RM469.2 million and profit before tax of RM9.3 million respectively for the corresponding year ended 30 June 2022.

The improvement in both Group revenue and Group profit before tax is mainly contributed by Concession division with the increase in airport passengers following China boarder reopening in January 2023 and better performance of Cranes division.

B2. COMPARISON WITH PRECEDING QUARTER RESULTS (Q2 2023 vs. Q1 2023)

The Group reported higher consolidated revenue (including share of associates' revenue) of RM416.7 million as compared to RM278.2 million in the preceding quarter mainly due to higher revenue from Concession and Cranes division in the current quarter.

This quarter reported slightly lower profit before tax of RM10.4 million as compared to RM12.8 million in the preceding quarter mainly due to provision of expected credit loss of financial assets.

B3. GROUP'S PROSPECT

a) Secured Order Book

As at 18 August 2023, the Group's total outstanding secured order book in hand for the construction and cranes division is RM1,977 million.

b) Prospect

The group had secured several oil & gas and building construction projects of total RM783 million over the last nine months period.

Global oil & gas prices has recovered over last 2 years and hence the oil and gas investment is expected to move in an upward trend, including investments that reduce the greenhouse gas intensity of natural gas and its related infrastructure.

As such, there will be higher demand for offshore platform structures, offshore cranes, automation of offshore platforms systems and offshore support vessels from global market, which are the core businesses of Muhibbah Group's Construction, Cranes, Intelligent Automation and Shipyard Divisions respectively.

With the China boarder re-opening in January 2023, this has positive impact on airport traffic flow as compared to corresponding period last year. The airports concession is expected to have better performance as well.

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 30.6.2023 RM'000	Cumulative Quarter 30.6.2023 RM'000
Profit/(Loss) before tax is arrived at after (crediting)/charging the following:		
Depreciation and amortisation	25,536	38,807
Finance costs	11,146	17,566
Interest income	(1,597)	(2,745)
Net loss/(gain) on foreign exchange	(16,669)	(14,775)
Net (gain)/loss on derivatives	4,384	3,867
Loss/(Gain) on disposal of property, plant and equipment	(38)	192
(Gain)/Loss on disposal of assets held for sale	-	(5,005)
Net provision for impairment on financial assets and receivables	7,539	9,854
Net impairment loss on investment in associate	151	302
(Reversal)/Provision for slow moving stocks	(457)	(1,033)
Property, plant and equipment written off	3	7
(Reversal)/Provision for foreseeable losses	(292)	(371)
	25,536	38,807

B6. TAXATION

	Current Quarter 30.6.2023 RM'000	Cumulative Quarter 30.6.2023 RM'000
Current tax expense		
Malaysia	1,813	5,126
Overseas	2,342	2,578
	4,155	7,704
Deferred tax income		
Malaysia	753	1,472
Overseas	-	-
	753	1,472
Total tax expense	4,908	9,176

The Group's effective tax rate (excluding the results of associates which are equity accounted net of tax) for the financial year under review is higher than the statutory tax rate mainly due to different tax rates in applicable foreign jurisdictions, deferred tax assets not recognised, and there is no group tax relief applicable for different listed companies and foreign jurisdictions.

B7. CORPORATE PROPOSALS

There was no other corporate proposals announced but not yet completed as at the date of this report.

B8. GROUP BORROWINGS AND DEBT SECURITIES

	Foreign Currency		30.6.2023 RM'000
	Currency	Amount	
Short term borrowings		'000	
Secured	RM	564	564
	DKK	25,100	17,138
	Sub- total		17,702
Unsecured	RM	268,274	268,274
	AUD	-	4,668
	Sub- total		272,942
Total Short Term Borrowings			290,644
Long term borrowings			
Secured	RM	6,775	6,775
	DKK	2,897	1,978
	Sub- total		8,753
Unsecured	RM	89,500	89,500
Total Long Term Borrowings			98,253
Total Gross Borrowings			388,897

B9. UPDATES ON MATERIAL LITIGATIONS

The latest updates for material arbitration case for the Group are as follows:

(i) With regards to the claim amount of approximately EURO 33 million (RM156 million) submitted by the Syrian Civil Aviation Authority ("SCAA") against MEB, the Council of State of Syria ("COS") has awarded SCAA EURO 3.17 million (approximately RM15 million). MEB has filed an application to nullify the award based on the grounds inter alia that (i) the court appointed arbitration tribunal has no jurisdiction as the contract between the parties have provided for an arbitration at the Dubai International Arbitration Centre ("DIAC"), (ii) impartiality of the arbitrator nominated by SCAA, and (iii) denial of MEB's right to defend its claim.

Meanwhile, MEB's claim against SCAA at DIAC for a total claim of approximately EURO 36 million (approximately RM170 million) remains ongoing.

(ii) In respect of the claim against TTCL Malaysia Sdn Bhd (formerly known as Toyo Thai Malaysia Sdn Bhd), the arbitration is ongoing.

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

On 1 December 2022, the Federal Court has affirmed the Court of Appeal's decision in respect of granting leave and to proceed with the substantive judicial review hearing at the High Court with a stay order in favour of the Company.

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 30.6.2023	Cumulative 30.6.2023	Current 30.6.2023	Cumulative 30.6.2023
Net profit attributable to the owners of the Company (RM'000)	5,130	7,174	5,130	7,174
Impact on statement of profit or loss upon conversion of share options	-	-	85	170
Adjusted net profit for the period	5,130	7,174	5,215	7,344
Weighted average number of ordinary shares in issue ('000) (net of treasury share hold by company)	725,168	725,168	725,168	725,168
Exercise of Share options ('000)	-	-	38,533	38,533
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	725,168	725,168	763,701	763,701
EPS (Sen)	0.71	0.99	0.68	0.96

The share options granted to employee in 2022 expired on 26 July 2027.

B12. COMPARATIVE FIGURES

Comparative figures, where applicable, have been modified to conform with the current quarter presentation.

By order of the Board of Directors
Company Secretary
Date : 25 August 2023