

**MUHIBBAH ENGINEERING (M) BHD**

(Company No : 12737-K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 30 JUNE 2019**

	<b>UNAUDITED AS AT 30.06.2019 RM'000</b>	<b>AUDITED AS AT 31.12.2018 RM'000</b>
<b>Assets</b>		
Property, plant and equipment	891,680	903,892
Investment in associates	668,802	594,822
Other non-current assets	130,786	127,527
<b>Total non-current assets</b>	<b>1,691,268</b>	<b>1,626,241</b>
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
<b>Total current assets</b>	<b>2,249,566</b>	<b>2,165,435</b>
<b>Total assets</b>	<b>3,940,834</b>	<b>3,791,676</b>
<b>Equity</b>		
Share capital	303,341	301,746
Reserves	883,303	818,689
<b>Total equity attributable to owners of the Company</b>	<b>1,186,644</b>	<b>1,120,435</b>
<b>Non-controlling interests</b>	<b>554,738</b>	<b>517,902</b>
<b>Total equity</b>	<b>1,741,382</b>	<b>1,638,337</b>
<b>Liabilities</b>		
Payables and accruals	22,968	23,045
Loans and borrowings	63,409	69,273
Deferred tax liabilities	48,596	47,851
<b>Total non-current liabilities</b>	<b>134,973</b>	<b>140,169</b>
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
<b>Total current liabilities</b>	<b>2,064,479</b>	<b>2,013,170</b>
<b>Total liabilities</b>	<b>2,199,452</b>	<b>2,153,339</b>
<b>Total equity and liabilities</b>	<b>3,940,834</b>	<b>3,791,676</b>
<b>Net assets per share attributable to owners of the Company (RM)</b>	<b>2.46</b>	<b>2.33</b>

(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)
<b>Results from operating activities</b>		<b>27,920</b>	19,195	<b>38,054</b>	40,416
Interest income		3,461	1,510	7,196	3,237
Finance costs		(5,303)	(6,243)	(10,530)	(11,660)
<b>Operating profit</b>	B5	<b>26,078</b>	14,462	<b>34,720</b>	31,993
Share of profit of associates and joint ventures, net of tax		31,755	35,503	82,583	81,457
<b>Profit before tax</b>	B5	<b>57,833</b>	49,965	<b>117,303</b>	113,450
Tax expense	B6	(8,205)	(5,495)	(13,274)	(9,602)
<b>Profit for the period</b>		<b>49,628</b>	44,470	<b>104,029</b>	103,848
<b>Other comprehensive income/(expenses)</b>					
Foreign currency translation differences for foreign operations		12,418	10,462	(6,384)	(24,079)
<b>Other comprehensive income/(expense) for the year</b>		<b>12,418</b>	10,462	<b>(6,384)</b>	(24,079)
<b>Total comprehensive income for the year</b>		<b>62,046</b>	54,932	<b>97,645</b>	79,769
<b>Profit attributable to:</b>					
Owners of the Company		30,861	32,998	63,872	69,175
Non-controlling interests		18,767	11,472	40,157	34,673
<b>Profit for the year</b>		<b>49,628</b>	44,470	<b>104,029</b>	103,848
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		40,981	43,296	61,141	55,823
Non-controlling interests		21,065	11,636	36,504	23,946
<b>Total comprehensive income for the year</b>		<b>62,046</b>	54,932	<b>97,645</b>	79,769
<b>Earnings per ordinary share</b>					
Basic (Sen)	B11	6.40	6.87	13.25	14.40
Diluted (Sen)	B11	6.31	6.73	13.06	14.10
<b>Note (1a) - Proforma Revenue</b>					
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
<b>Total revenue</b>		<b>681,736</b>	428,409	<b>1,078,752</b>	807,555
<b>Note</b>					
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 JUNE 2019 (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				
<b>At 1 January 2019</b>	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
<b>At 30 June 2019</b>	<b>303,341</b>	<b>(5,561)</b>	<b>220,467</b>	<b>79,625</b>	<b>588,772</b>	<b>1,186,644</b>	<b>554,738</b>	<b>1,741,382</b>
<b>At 1 January 2018</b>								
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)
<b>At 1 January 2018</b>	<b>241,057</b>	<b>(5,561)</b>	<b>273,433</b>	<b>69,749</b>	<b>413,525</b>	<b>992,203</b>	<b>427,620</b>	<b>1,419,823</b>
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
<b>At 31 June 2018</b>	<b>241,057</b>	<b>(5,561)</b>	<b>278,014</b>	<b>56,397</b>	<b>482,700</b>	<b>1,052,607</b>	<b>452,934</b>	<b>1,505,541</b>

(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**

(Company No : 12737-K)

(Incorporated in Malaysia)

**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
<b>Cash flows from operating activities</b>		
<b>Profit before tax</b>	<b>117,303</b>	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)
<b>Operating profit before changes in working capital</b>	<b>90,534</b>	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)
<b>Cash generated from operations</b>	<b>(120,255)</b>	(119,558)
Net income taxes paid	(19,053)	(6,450)
<b>Net cash generated/(used in) from operating activities</b>	<b>(139,308)</b>	(126,008)
<b>Cash flows from investing activities</b>		
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)	-
<b>Net cash generated/(used in) investing activities</b>	<b>(2,690)</b>	(7,981)

**MUHIBBAH ENGINEERING (M) BHD**

(Company No : 12737-K)

(Incorporated in Malaysia)

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

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

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

	<b>30.06.2019 RM'000</b>	<b>30.06.2018 RM'000</b>
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)
	<b>494,780</b>	<b>456,532</b>

(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:

	<b>Year ended 30.06.2019</b>	
	<b>Revenue</b>	<b>Profit before tax</b>
	<b>RM'000</b>	<b>RM'000</b>
Infrastructure construction	682,508	25,676
Cranes	362,718	40,851
Share of Concessions profits (net of tax)	209,845	93,983
	<u>1,255,071</u>	<u>160,510</u>
Less: Group eliminations	(176,319)	(43,207)
	<u><u>1,078,752</u></u>	<u><u>117,303</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 30 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 30 August 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 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 30 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:

	<b>Current Quarter 30.06.2019 RM'000</b>	<b>Cumulative Quarter 30.06.2019 RM'000</b>
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**

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

	<b>Foreign Currency</b>		<b>30.06.2019 RM'000</b>
	<b>Currency</b>	<b>Amount</b>	
Short term borrowings		'000	
Secured	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
<b>Total Short Term Borrowings</b>			<b>376,809</b>
Long term borrowings			
Secured	RM	8,896	8,896
	DKK	26,596	16,725
	Sub- total		25,621
Unsecured	RM	37,788	37,788
<b>Total Long Term Borrowings</b>			<b>63,409</b>
<b>Total gross borrowings</b>			<b>440,218</b>

## 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 : 30 August 2019