

MUHIBBAH ENGINEERING (M) BHD

Registration No. 197201001137 (12737-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	UNAUDITED AS AT 30.6.2022 RM'000	AUDITED AS AT 31.12.2021 RM'000
Assets		
Property, plant and equipment	998,758	1,027,282
Investment in associates	723,414	692,356
Other non-current assets	130,439	122,531
Total non-current assets	1,852,611	1,842,169
Receivables, deposits and prepayments	421,064	436,225
Contract assets	287,175	318,025
Inventories	331,862	308,529
Current tax assets and other assets	19,360	18,462
Cash and bank balances	453,783	450,815
Total current assets	1,513,244	1,532,056
Total assets	3,365,855	3,374,225
Equity		
Share capital	426,537	306,602
Reserves	823,533	795,804
Total equity attributable to owners of the Company	1,250,070	1,102,406
Non-controlling interests	467,852	560,599
Total equity	1,717,922	1,663,005
Liabilities		
Payables and accruals	11,447	3,007
Loans and borrowings	113,717	117,665
Hire purchase and lease liabilities	13,555	23,799
Deferred tax liabilities	79,667	79,408
Total non-current liabilities	218,386	223,879
Provision, payables and accruals	382,096	394,363
Contract liabilities	220,126	207,312
Bills payables	419,770	451,753
Loans and borrowings	381,134	407,541
Hire purchase and lease liabilities	19,128	14,565
Tax liabilities and other liabilities	7,293	11,807
Total current liabilities	1,429,547	1,487,341
Total liabilities	1,647,933	1,711,220
Total equity and liabilities	3,365,855	3,374,225
Net assets per share attributable to owners of the Company (RM)	1.72	2.27

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2021 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 2022 (2ND QUARTER)**

(The figures have not been audited)

	Note	Current/Preceding Qtr Ended		Cumulative Qtr	
		30.6.2022 RM'000	30.6.2021 RM'000	30.6.2022 RM'000	30.6.2021 RM'000
Revenue (Note 1a)	A9	196,425	289,468	371,617	507,515
Cost of sales, other income and operating expenses		(188,589)	(265,930)	(355,839)	(469,988)
Results from operating activities		7,836	23,538	15,778	37,527
Interest income		2,860	1,790	3,417	3,165
Finance costs		(4,807)	(6,597)	(7,383)	(8,786)
Operating profit	B5	5,889	18,731	11,812	31,906
Share of loss of associates, net of tax		2,065	(9,595)	(2,513)	(16,198)
Profit before tax	B5	7,954	9,136	9,299	15,708
Tax expense	B6	(2,863)	(4,371)	(4,528)	(5,764)
Profit after tax for the period		5,091	4,765	4,771	9,944
Other comprehensive income					
Foreign currency translation differences for foreign operations		30,400	1,980	35,500	23,288
Other comprehensive income for the period		30,400	1,980	35,500	23,288
Total comprehensive income for the period		35,491	6,745	40,271	33,232
Profit attributable to:					
Owners of the Company		1,339	1,169	1,807	6,490
Non-controlling interests		3,752	3,596	2,964	3,454
Profit for the period		5,091	4,765	4,771	9,944
Total comprehensive income attributable to:					
Owners of the Company		22,798	2,831	25,495	21,972
Non-controlling interests		12,693	3,914	14,776	11,260
Total comprehensive income for the period		35,491	6,745	40,271	33,232
Earnings per ordinary share					
Basic (Sen)	B11	0.20	0.24	0.32	1.34
Diluted (Sen)	B11	0.20	0.24	0.32	1.34
Note (1a) - Proforma Revenue					
Revenue as reported above		196,425	289,468	371,617	507,515
Share of revenue of associates		53,557	36,087	97,546	80,785
Total revenue		249,982	325,555	469,163	588,300
<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 2021 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 30 JUNE 2022 (2ND 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
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 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 interests 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
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 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

(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 2021 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 2022 (2ND QUARTER)

(The figures have not been audited)

	For the 6 Months Period ended 30.6.2022 RM'000	For the 6 Months Period ended 30.6.2021 RM'000
Cash flows from operating activities		
Profit before tax	9,299	15,708
Adjustments for non-cash items/non-operating items:		
Depreciation and amortisation	37,296	37,847
Finance costs	13,982	19,320
Gain on disposal of property, plant and equipment	(914)	(1,050)
Inventories written-off	4	-
Net recovery on financial assets and receivables	(2,350)	(4,570)
Net fair value adjustments on derivative instruments	610	6,699
Net loss/(gain) on foreign exchange	(10,030)	(12,678)
Interest income	(3,417)	(3,165)
Net (reversal)/provision for warranties	(1,602)	1,368
Share-based payments	-	739
Share of loss of associates	2,513	16,198
Reversal of provision for slow moving stocks	(1,163)	-
Loss on disposal of a subsidiary	193	-
Reversal of provision for foreseeable losses	(2,855)	-
Operating profit before changes in working capital	41,566	76,416
Changes in working capital:		
Receivables, deposits and prepayments	17,759	45,404
Inventories	(22,174)	(10,016)
Payables and accruals	(9,934)	(2,702)
Amount due from/(to) contract customers	46,519	(57,923)
Cash generated from operations	73,736	51,179
Net income taxes paid	(10,779)	(15,609)
Net cash generated from operating activities	62,957	35,570
Cash flows from investing activities		
Additions to development expenditures	(229)	(34)
Acquisition of additional interests in subsidiary	(17,953)	-
Disposal of a subsidiary, net of cash disposed	(448)	-
Investment in assets available-for-sale	(4,298)	-
Dividend received from associates	2,100	-
Interest received	3,505	2,904
Proceeds from disposal of property, plant and equipment	5,259	2,156
Purchase of property, plant and equipment	(9,196)	(12,616)
Expenditure on land held for development	(2,246)	(2,246)
Net cash used in investing activities	(23,506)	(9,836)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2022 (2ND QUARTER)
(The figures have not been audited)

	For the 6 Months Period ended 30.6.2022 RM'000	For the 6 Months Period ended 30.6.2021 RM'000
Cash flows from financing activities		
Dividend paid to non-controlling interests	(105,544)	(11,210)
Interests paid	(14,056)	(19,240)
Net proceeds from Rights Issue	119,935	-
Proceeds from issuance of shares to non-controlling interests	25,775	-
Net drawdown of loans and borrowings	(85,648)	(118,870)
Net cash used in financing activities	(59,538)	(149,320)
Currency translation differences	8,730	(34)
Net decrease in cash and cash equivalents	(11,357)	(123,620)
Cash and cash equivalents at 1 January	441,594	621,427
Cash and cash equivalents at 30 June	430,237	497,807

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

	30.6.2022 RM'000	30.6.2021 RM'000
Cash and bank balances	274,860	202,688
Deposits placed with licensed banks	178,923	319,761
Cash and cash equivalents as per Statement of Financial Position	453,783	522,449
Bank overdrafts	(23,546)	(24,642)
	430,237	497,807

(The Condensed Consolidated Cash Flow statements should be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying notes attached to the interim financial statements)

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ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 30 JUNE 2022 (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 2021. 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 2021.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2021 and for the adoption of the Amendments and Annual Improvements to Standards effective from 1 January 2022:

<u>MFRSs and IC Interpretations</u> <u>(Including the Consequential Amendments)</u>	<u>Effective Date</u>
• 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

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 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
• 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
• 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 2021 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 30.6.2022	
	Revenue RM'000	Profit/(Loss) before tax RM'000
Infrastructure construction	377,255	152,937
Cranes and automation	247,048	19,638
Share of Concessions profits/(loss) (net of tax)	82,633	(4,442)
	<u>706,936</u>	<u>168,133</u>
Less: Group eliminations	(237,773)	(158,834)
	<u><u>469,163</u></u>	<u><u>9,299</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 23 August 2022, which would likely to substantially affect the results of the Group for year 2022.

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 23 Aug 2022 is approximately RM11 million.

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ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 30 JUNE 2022 (2ND QUARTER)

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

B1. REVIEW OF GROUP PERFORMANCE (YTD Q2 2022 vs. YTD Q2 2021)

The Group reported lower consolidated revenue (including share of associates' revenue) of RM469.2 million and lower profit before tax of RM9.3 million for the financial period ended 30 June 2022 as compared to consolidated revenue (including share of associates' revenue) of RM588.3 million and profit before tax of RM15.7 million for the corresponding period ended 30 June 2021.

The Group recorded lower revenue and lower profit before tax in Q2 2022 mainly because the production of cranes were affected by the quarantine of some of the operational staffs and workers due to COVID cases during the period and higher components and shipping costs due to Ukraine war.

Following re-opening of borders of Cambodia in November 2021 and the global uplifting of travel ban, Cambodia airports saw improvement in international passengers arrival and has better financial results since quarter 1 2022.

B2. COMPARISON WITH PRECEDING QUARTER RESULTS (Q2 2022 vs. Q1 2022)

The Group reported higher consolidated revenue (including share of associates' revenue) of RM250.0 million as compared to consolidated revenue (including share of associates' revenue) of RM219.2 million in the preceding quarter, mainly because the higher production of cranes in the current quarter, mitigated by lower revenue from Infrastructure Construction with the completion of major projects while new projects are starting in Q3 2022.

The Group reported higher profit before tax of RM8.0 mil for this quarter as compared to profit before tax of RM1.3 million in the preceding quarter mainly due to improvement of results from Airports Concession in Cambodia and Cranes division in the current quarter.

B3. GROUP'S PROSPECT

a) Secured Order Book

As at 23 August 2022, the Group's total outstanding secured order book in hand for the construction and cranes division is RM823 million.

b) Prospect

In 2022, the overall global economy is seeing subsiding threat from COVID-19 pandemic. However, there is surge in crude oil prices and supply chain disruption due to Ukraine War.

The Group would endeavour to pursue order book replenishment while continue efforts in improving costs efficiency and taking appropriate measures and actions in tandem with the global 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 30.6.2022 RM'000	Cumulative Quarter 30.6.2022 RM'000
Profit/(Loss) before tax is arrived at after (crediting)/charging the following:		
Depreciation and amortisation	22,161	37,296
Finance costs	7,318	13,982
Interest income	(2,860)	(3,417)
Net (gain)/loss on foreign exchange	(12,377)	(10,030)
Net loss on derivatives	408	610
(Gain)/loss on disposal of property, plant and equipment	(1,364)	(914)
Net (recovery)/provision for impairment on financial assets and receivables	9,568	(2,350)
Reversal of provision for slow moving stocks	(489)	(1,163)
Reversal of provision for foreseeable losses	(816)	(2,855)

B6. TAXATION

	Current Quarter 30.6.2022 RM'000	Cumulative Quarter 30.6.2022 RM'000
Current tax expense		
Malaysia	937	1,869
Overseas	1,898	3,060
	2,835	4,929
Deferred tax income		
Malaysia	28	(401)
Overseas	-	-
	28	(401)
Total tax expense	<u>2,863</u>	<u>4,528</u>

The Group's effective tax rate (excluding the results of associates which are equity accounted net of tax) for the financial period 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

Save as disclosed below, there was no other corporate proposals announced but not yet completed as at the date of this report.

On 10 January 2022, the Company has announced that the Company proposed to undertake a renounceable rights issues of up to 256,914,625 Rights Shares in the Company on the basis of 1 Rights Share for every 2 existing shares held. The proposed rights issue was approved by the shareholders at the Extraordinary General Meeting held on 7 March 2022.

On 26 April 2022, the Proposed Rights Issues was over subscribed and has been successfully completed with RM120.9 mil gross Rights proceeds raised.

As at 23 August 2022, this Rights Issues proceeds have been utilised in accordance to the intended purposes.

B8. GROUP BORROWINGS AND DEBT SECURITIES

	Foreign Currency		30.6.2022 RM'000
	Currency	Amount	
Short term borrowings		'000	
Secured	RM	12,713	12,713
	AUD	3,079	9,347
	DKK	24,382	15,111
	Sub- total		37,171
Unsecured	RM	343,963	343,963
	Sub- total		343,963
Total Short Term Borrowings			381,134
Long term borrowings			
Secured	RM	5,918	5,918
	DKK	10,365	6,424
	Sub- total		12,342
Unsecured	RM	101,375	101,375
Total Long Term Borrowings			113,717
Total Gross Borrowings			494,851

B9. UPDATES ON MATERIAL LITIGATIONS

As at 23 August 2022, the material arbitration cases for the Group namely (i) The Government Of Syrian Arab Republic, (ii) TTCL Malaysia Sdn Bhd (formerly known as Toyo Thai Malaysia Sdn Bhd) and (iii) Additional tax assessment from the Inland Revenue Board of Malaysia ("IRB") remain ongoing.

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 30.6.2022	Cumulative 30.6.2022	Current 30.6.2022	Cumulative 30.6.2022
Net profit attributable to the owners of the Company (RM'000)	1,339	1,807	1,339	1,807
Weighted average number of ordinary shares in issue ('000)	658,761	571,587	658,761	571,587
Effect of dilution: Share options ('000) *	-	-	N/A	N/A
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	658,761	571,587	658,761	571,587
EPS (Sen)	0.20	0.32	0.20	0.32

* Potential shares are dilutive only when the average market price for the ordinary shares during the period exceeds the exercise price of the options.

The share options granted to employee in 2017 expired on 9 July 2022.

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 : 30 August 2022