

MUHIBBAH ENGINEERING (M) BHD

Registration No. 197201001137 (12737-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2022

	UNAUDITED AS AT 30.9.2022 RM'000	AUDITED AS AT 31.12.2021 RM'000
Assets		
Property, plant and equipment	982,965	1,027,282
Investment in associates	757,315	692,356
Other non-current assets	135,171	122,531
Total non-current assets	1,875,451	1,842,169
Receivables, deposits and prepayments	401,107	436,225
Contract assets	288,947	318,025
Inventories	337,008	308,529
Current tax assets and other assets	20,914	18,462
Cash and bank balances	237,102	450,815
Total current assets	1,285,078	1,532,056
Total assets	3,160,529	3,374,225
Equity		
Share capital	426,474	306,602
Reserves	833,843	795,804
Total equity attributable to owners of the Company	1,260,317	1,102,406
Non-controlling interests	482,146	560,599
Total equity	1,742,463	1,663,005
Liabilities		
Payables and accruals	12,034	3,007
Loans and borrowings	110,201	117,665
Hire purchase and lease liabilities	12,930	23,799
Deferred tax liabilities	79,506	79,408
Total non-current liabilities	214,671	223,879
Provision, payables and accruals	345,157	394,363
Contract liabilities	194,872	207,312
Bills payables	382,543	451,753
Loans and borrowings	257,632	407,541
Hire purchase and lease liabilities	16,234	14,565
Tax liabilities and other liabilities	6,957	11,807
Total current liabilities	1,203,395	1,487,341
Total liabilities	1,418,066	1,711,220
Total equity and liabilities	3,160,529	3,374,225
Net assets per share attributable to owners of the Company (RM)	1.74	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 SEPTEMBER 2022 (3RD QUARTER)**

(The figures have not been audited)

	Note	Current/Preceding Qtr Ended		Cumulative Qtr	
		30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000
Revenue (Note 1a)	A9	253,048	193,992	624,665	701,507
Cost of sales, other income and operating expenses		(245,404)	(184,073)	(601,243)	(654,061)
Results from operating activities		7,644	9,919	23,422	47,446
Interest income		958	573	4,375	3,738
Finance costs		(4,889)	(3,005)	(12,272)	(11,791)
Operating profit	B5	3,713	7,487	15,525	39,393
Share of loss of associates, net of tax		759	(4,994)	(1,754)	(21,192)
Profit before tax	B5	4,472	2,493	13,771	18,201
Tax expense	B6	(1,771)	(4,121)	(6,299)	(9,885)
Profit/(Loss) after tax for the period		2,701	(1,628)	7,472	8,316
Other comprehensive income					
Foreign currency translation differences for foreign operations		22,412	1,959	57,912	25,247
Other comprehensive income for the period		22,412	1,959	57,912	25,247
Total comprehensive income for the period		25,113	331	65,384	33,563
Profit/(Loss) attributable to:					
Owners of the Company		(1,276)	1,280	531	7,770
Non-controlling interests		3,977	(2,908)	6,941	546
Profit/(Loss) for the period		2,701	(1,628)	7,472	8,316
Total comprehensive income/(expense) attributable to:					
Owners of the Company		10,310	3,293	35,805	25,265
Non-controlling interests		14,803	(2,962)	29,579	8,298
Total comprehensive income for the period		25,113	331	65,384	33,563
Earnings per ordinary share					
Basic (Sen)	B11	(0.18)	0.26	0.09	1.61
Diluted (Sen)	B11	(0.18)	0.26	0.09	1.61
Note (1a) - Proforma Revenue					
Revenue as reported above		253,048	193,992	624,665	701,507
Share of revenue of associates		58,753	57,276	156,299	138,061
Total revenue		311,801	251,268	780,964	839,568
<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

Registration No. 197201001137 (12737-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2022 (3RD 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		Total equity RM'000
			Reserves attributable to capital RM'000	Reserve attributable to revenue RM'000	Retained earnings RM'000				
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	-	-	-	35,274	-	35,274	22,638	57,912	
Profit/(Loss) after tax for the period	-	-	-	-	531	531	6,941	7,472	
Total comprehensive income/(expense) for the period	-	-	-	35,274	531	35,805	29,579	65,384	
Issuance of shares pursuant to right issue	119,872	-	-	-	-	119,872	-	119,872	
Share-based payments	-	-	(18,179)	-	18,179	-	-	-	
Accretion of interests in subsidiary	-	-	936	338	6,014	7,288	(25,241)	(17,953)	
Issuance of shares to non-controlling interests	-	-	(4,010)	(292)	(752)	(5,054)	30,829	25,775	
Dividend to non-controlling interests	-	-	-	-	-	-	(113,478)	(113,478)	
Disposal of a subsidiary	-	-	-	-	-	-	(142)	(142)	
At 30 September 2022	426,474	(5,561)	316,255	111,045	412,104	1,260,317	482,146	1,742,463	
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	-	-	-	17,495	-	17,495	7,752	25,247	
Profit/(Loss) after tax for the period	-	-	-	-	7,770	7,770	546	8,316	
Total comprehensive income/(expense) for the period	-	-	-	17,495	7,770	25,265	8,298	33,563	
Share-based payments	-	-	925	-	-	925	183	1,108	
Share buy back by a subsidiary	-	-	83	29	608	720	(3,060)	(2,340)	
Dividend to non-controlling interests	-	-	-	-	-	-	(19,741)	(19,741)	
At 30 September 2021	306,602	(5,561)	336,829	78,841	396,875	1,113,586	570,229	1,683,815	

(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 SEPTEMBER 2022 (3RD QUARTER)**

(The figures have not been audited)

	For the 9 Months Period ended 30.9.2022 RM'000	For the 9 Months Period ended 30.9.2021 RM'000
Cash flows from operating activities		
Profit before tax	13,771	18,201
Adjustments for non-cash items/non-operating items:		
Depreciation and amortisation	57,245	57,517
Finance costs	18,846	25,241
Gain on disposal of property, plant and equipment	(1,082)	(1,167)
Inventories written-off	96	-
Net impairment/(recovery) on financial assets and receivables	4,803	(15,281)
Net fair value adjustments on derivative instruments	(2,848)	6,766
Net gain on foreign exchange	(4,407)	(19,440)
Interest income	(4,376)	(3,738)
Net (reversal)/provision for warranties	(6,696)	4,691
Share-based payments	-	1,108
Share of loss of associates	1,754	21,192
Reversal of provision for slow moving stocks	(2,196)	-
Loss on disposal of a subsidiary	193	-
Reversal of provision for foreseeable losses	(2,855)	-
Operating profit before changes in working capital	72,248	95,090
Changes in working capital:		
Receivables, deposits and prepayments	30,688	114,754
Inventories	(26,379)	(12,478)
Payables and accruals	(33,991)	(14,375)
Amount due from/(to) contract customers	19,493	(113,327)
Cash generated from operations	62,059	69,664
Net income taxes paid	(14,923)	(17,127)
Net cash generated from operating activities	47,136	52,537
Cash flows from investing activities		
Additions to development expenditures	(567)	(36)
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	2,100
Interest received	4,354	3,444
Investment in associates	-	(2,770)
Proceeds from disposal of property, plant and equipment	5,317	2,440
Purchase of property, plant and equipment	(12,543)	(15,723)
Expenditure on land held for development	(2,513)	(2,246)
Net cash used in investing activities	(26,551)	(12,791)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2022 (3RD QUARTER)
(The figures have not been audited)

	For the 9 Months Period ended 30.9.2022 RM'000	For the 9 Months Period ended 30.9.2021 RM'000
Cash flows from financing activities		
Dividend paid to non-controlling interests	(113,478)	(19,740)
Interests paid	(18,885)	(25,121)
Net proceeds from Rights Issue	119,872	-
Purchase of treasury shares by a subsidiary	-	(2,340)
Proceeds from issuance of shares to non-controlling interests	25,775	-
Net repayment of loans and borrowings	(249,127)	(201,947)
Net cash used in financing activities	(235,843)	(249,148)
Currency translation differences	(8,999)	16,568
Net decrease in cash and cash equivalents	(224,257)	(192,834)
Cash and cash equivalents at 1 January	441,594	621,427
Cash and cash equivalents at 30 September	217,337	428,593

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

	30.9.2022 RM'000	30.9.2021 RM'000
Cash and bank balances	160,548	213,931
Deposits placed with licensed banks	76,554	234,250
Cash and cash equivalents as per Statement of Financial Position	237,102	448,181
Bank overdrafts	(19,765)	(19,588)
	217,337	428,593

(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)

MUHIBBAH ENGINEERING (M) BHD
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**ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 30 SEPTEMBER 2022 (3RD 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 30.9.2022	
	Revenue	Profit/(Loss)
	RM'000	before tax
		RM'000
Infrastructure construction	496,731	141,581
Cranes and automation	393,984	29,047
Share of Concessions profits/(loss) (net of tax)	136,322	(3,773)
	<u>1,027,037</u>	<u>166,855</u>
Less: Group eliminations	(246,073)	(153,084)
	<u><u>780,964</u></u>	<u><u>13,771</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 14 November 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 14 November 2022 is approximately RM11 million.

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**ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 30 SEPTEMBER 2022 (3RD QUARTER)**

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

B1. REVIEW OF GROUP PERFORMANCE (YTD Q3 2022 vs. YTD Q3 2021)

The Group reported lower consolidated revenue (including share of associates' revenue) of RM781.0 million and lower profit before tax of RM13.8 million for the financial period ended 30 September 2022 as compared to consolidated revenue (including share of associates' revenue) of RM839.6 million and profit before tax of RM18.2 million for the corresponding period ended 30 September 2021.

The Group recorded lower revenue and profit before tax in Q3 2022 mainly due to lower contribution from construction revenue as most of the major projects are at completion stage whilst new projects are at the early stage. The production of cranes were affected by the quarantine of some of the operational staffs and workers due to COVID cases during the first half 2022 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.

B2. COMPARISON WITH PRECEDING QUARTER RESULTS (Q3 2022 vs. Q2 2022)

The Group reported higher consolidated revenue (including share of associates' revenue) of RM311.8 million as compared to RM250.0 million in the preceding quarter, mainly due to higher revenue from Infrastructure Construction and ship repair services, mitigated by lower sales from Cranes division in the current quarter.

The Group reported lower profit before tax of RM4.5 mil for this quarter as compared to profit before tax of RM8.0 million in the preceding quarter despite higher revenue, as there is additional accounting provision of RM7.2 million for impairment on financial assets from Infrastructure Construction and Cranes in the current quarter under MFRS 9.

B3. GROUP'S PROSPECT

a) Secured Order Book

As at 14 November 2022, the Group's total outstanding secured order book in hand for the construction and cranes division is RM1,100 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 30.9.2022 RM'000	Cumulative Quarter 30.9.2022 RM'000
Profit/(Loss) before tax is arrived at after (crediting)/charging the following:		
Depreciation and amortisation	19,950	57,245
Finance costs	4,864	18,846
Interest income	(959)	(4,376)
Net (gain)/loss on foreign exchange	5,623	(4,407)
Net gain on derivatives	(3,458)	(2,848)
Gain on disposal of property, plant and equipment	(168)	(1,082)
Net provision for impairment on financial assets and receivables	7,153	4,803
Reversal of provision for slow moving stocks	(1,033)	(2,196)
Reversal of provision for foreseeable losses	-	(2,855)

B6. TAXATION

	Current Quarter 30.9.2022 RM'000	Cumulative Quarter 30.9.2022 RM'000
Current tax expense		
Malaysia	3,147	5,016
Overseas	(1,362)	1,698
	1,785	6,714
Deferred tax income		
Malaysia	(14)	(415)
Overseas	-	-
	(14)	(415)
Total tax expense	1,771	6,299

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

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		30.9.2022
	Currency	Amount	RM'000
Short term borrowings		'000	
Secured	RM	545	545
	AUD	3,776	11,398
	DKK	37,443	22,877
	Sub- total		34,820
Unsecured	RM	222,812	222,812
	Sub- total		222,812
Total Short Term Borrowings			257,632
Long term borrowings			
Secured	RM	7,233	7,233
	DKK	7,517	4,593
	Sub- total		11,826
Unsecured	RM	98,375	98,375
Total Long Term Borrowings			110,201
Total Gross Borrowings			367,833

B9. UPDATES ON MATERIAL LITIGATIONS

The latest updates for material arbitration case for the Group with the Syrian Civil Aviation Authority ("SCAA") are as follows:

With regards to the claim amount of approximately EURO 33 million (RM156 million) submitted by the 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 defence its claim.

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

The other legal cases with (i) TTCL Malaysia Sdn Bhd (formerly known as Toyo Thai Malaysia Sdn Bhd) and (ii) 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 30.9.2022	Cumulative 30.9.2022	Current 30.9.2022	Cumulative 30.9.2022
Net profit attributable to the owners of the Company (RM'000)	(1,276)	531	(1,276)	531
Weighted average number of ordinary shares in issue ('000)	725,168	622,969	725,168	622,969
Effect of dilution: Share options ('000) *	-	-	N/A	N/A
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	725,168	622,969	725,168	622,969
EPS (Sen)	(0.18)	0.09	(0.18)	0.09

* 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 : 22 November 2022