

MUHIBBAH ENGINEERING (M) BHD

(Company No : 12737-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	UNAUDITED AS AT 31.12.2018 RM'000	AUDITED AS AT 31.12.2017 RM'000
Assets		
Property, plant and equipment	922,411	887,746
Investment in associates	596,915	503,782
Other non-current assets	143,757	71,508
Total non-current assets	1,663,083	1,463,036
Receivables, deposits and prepayments	570,689	556,510
Amount due from contract customers	705,812	498,978
Inventories	240,111	232,185
Current tax assets and other assets	30,076	40,789
Cash and cash equivalents	569,506	626,511
Total current assets	2,116,194	1,954,973
Total assets	3,779,277	3,418,009
Equity		
Share capital	241,726	241,057
Reserves	879,568	810,682
Total equity attributable to owners of the Company	1,121,294	1,051,739
Non-controlling interests	522,321	429,695
Total equity	1,643,615	1,481,434
Liabilities		
Payables and accruals	7,482	9,283
Loans and borrowings	84,400	91,829
Deferred tax liabilities	49,484	47,380
Total non-current liabilities	141,366	148,492
Provision, payables and accruals	808,734	651,851
Amount due to contract customers	234,056	286,545
Bills payables	587,734	461,637
Loans and borrowings	347,328	373,218
Tax liabilities and other liabilities	16,444	14,832
Total current liabilities	1,994,296	1,788,083
Total liabilities	2,135,662	1,936,575
Total equity and liabilities	3,779,277	3,418,009
Net assets per share attributable to owners of the Company (RM)	2.33	2.19

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 31 DECEMBER 2018 (4TH QUARTER)**

(The figures have not been audited)

	Note	Current/Preceding Qtr Ended		Cumulative Qtr	
		31.12.2018	31.12.2017	31.12.2018	31.12.2017
		RM'000	RM'000	RM'000	(Audited) RM'000
Revenue (Note 1a)	A9	425,112	306,500	1,543,144	1,396,656
Cost of sales, other income and operating expenses		(380,630)	(304,156)	(1,411,465)	(1,320,711)
Results from operating activities		44,482	2,344	131,679	75,945
Interest income		4,259	2,786	10,268	15,087
Finance costs		(5,911)	(4,995)	(24,048)	(25,977)
Operating profit	B5	42,830	135	117,899	65,055
Share of profit of associates and joint ventures, net of tax		28,155	53,233	144,183	154,267
Profit before tax	B5	70,985	53,368	262,082	219,322
Tax expense	B6	(6,154)	(3,019)	(29,037)	(27,995)
Profit for the period		64,831	50,349	233,045	191,327
Other comprehensive income/(expenses)					
Foreign currency translation differences for foreign operations		(8,861)	(26,937)	447	(57,410)
Movement in revaluation of property, plant equipment, net of tax		-	6,844	-	11,644
Other comprehensive income/(expense) for the year		(8,861)	(20,093)	447	(45,766)
Total comprehensive income for the year		55,970	30,256	233,492	145,561
Profit attributable to:					
Owners of the Company		37,882	36,511	144,800	131,608
Non-controlling interests		26,949	13,838	88,245	59,719
Profit for the year		64,831	50,349	233,045	191,327
Total comprehensive income attributable to:					
Owners of the Company		28,223	21,801	148,494	96,733
Non-controlling interests		27,747	8,455	84,998	48,828
Total comprehensive income for the year		55,970	30,256	233,492	145,561
Earnings per ordinary share					
Basic (Sen)	B11	7.87	7.60	30.12	27.40
Diluted (Sen)	B11	7.72	7.48	29.57	27.21
Note (1a) - Proforma Revenue					
Revenue as reported above		425,112	306,500	1,543,144	1,396,656
Share of revenue of associates and joint ventures		131,937	147,293	496,586	607,700
Total revenue		557,049	453,793	2,039,730	2,004,356
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 2017 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 31 DECEMBER 2018 (4TH 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	Non-controlling interests RM'000
As previously stated	241,057	(5,561)	273,433	69,749	473,061	1,051,739	429,695
Adjustment for initial application of MFRS 9	-	-	-	-	(58,243)	(58,243)	(3,368)
At 1 January 2018	241,057	(5,561)	273,433	69,749	414,818	993,496	426,327
Foreign currency translation differences for foreign operations	-	-	-	3,694	-	3,694	(3,247)
Profit for the period	-	-	-	-	144,800	144,800	88,245
Total comprehensive income for the year	-	-	-	3,694	144,800	148,494	84,998
Share options exercised	669	-	2,341	-	-	3,010	-
Share-based payments	-	-	9,658	-	-	9,658	2,239
Acquisition of subsidiary	-	-	-	-	-	-	28,282
Acquisition of share from non-controlling interests	-	-	-	-	329	329	(1,131)
Dividend to owners of the Company	-	-	-	-	(33,693)	(33,693)	-
Dividend to non-controlling interests	-	-	-	-	-	-	(18,394)
At 31 December 2018	241,726	(5,561)	285,432	73,443	526,254	1,121,294	522,321
At 1 January 2017	241,057	(5,561)	259,354	113,481	367,871	976,202	404,334
Foreign currency translation differences for foreign operations	-	-	-	(43,732)	-	(43,732)	(13,678)
Movement in revaluation of property, plant and equipment, net of tax	-	-	8,857	-	-	8,857	2,787
Profit for the period	-	-	-	-	131,608	131,608	59,719
Total comprehensive income for the year	-	-	8,857	(43,732)	131,608	96,733	48,828
Share-based payments	-	-	5,222	-	-	5,222	-
Acquisition of subsidiary	-	-	-	-	-	-	267
Dividend to owners of the Company	-	-	-	-	(26,418)	(26,418)	-
Dividend to non-controlling interests	-	-	-	-	-	-	(23,734)
At 31 December 2017	241,057	(5,561)	273,433	69,749	473,061	1,051,739	429,695

(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 2017 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 YEAR ENDED 31 DECEMBER 2018 (4TH QUARTER)**

	Unaudited Year ended 31.12.2018 RM'000	Audited Year ended 31.12.2017 RM'000
Cash flows from operating activities		
Profit before tax	262,082	219,322
Depreciation and amortisation	71,391	68,952
Assets written off	-	730
Finance costs	22,092	45,011
Gain on disposal of property, plant and equipment	(16,716)	(773)
Net impairment loss on investment in associate	175	-
Net impairment loss/(recovery) on receivables	(32,224)	6,679
Net impairment loss on other investments	(344)	-
Net provision for impairment loss on property, plant and equipment	7,658	-
Net loss/(gain) on derivatives	6,131	(20,018)
Net loss/(gain) on foreign exchange	(2,056)	19,158
Interest income	(10,268)	(15,087)
Property, plant and equipment written off	403	-
Net provision for warranties	7,410	4,375
Share-based payments	11,897	5,222
Share of profit of associates & joint ventures	(144,183)	(154,267)
Operating profit before changes in working capital	183,448	179,304
Receivables, deposits and prepayments	(14,813)	133,909
Inventories	(679)	33,721
Payables and accruals	114,421	(372,762)
Amount due from/(to) contract customers	(267,522)	601,347
Cash generated from operations	14,855	575,519
Net income taxes paid	(17,441)	(71,807)
Net cash generated/(used in) from operating activities	(2,586)	503,712
Cash flows from investing activities		
Additions to development expenditures	(9,732)	(9,455)
Acquisition of subsidiary, net of cash inflow	(38,347)	524
Acquisition of non-controlling interests	(802)	-
Dividend received from associates	62,206	48,748
Interest received	9,838	10,156
Proceeds from disposal of property, plant and equipment	43,847	6,978
Purchase of property, plant and equipment	(117,833)	(158,844)
Net cash generated/(used in) investing activities	(50,823)	(101,893)

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (4TH QUARTER)**

	Unaudited Year ended 31.12.2018 RM'000	Audited Year ended 31.12.2017 RM'000
Cash flows from financing activities		
Dividend paid to owners of the Company	(33,693)	(26,418)
Dividend paid to non-controlling interests	(18,394)	(23,734)
Interests paid	(20,665)	(44,897)
Proceeds from exercise of share options	3,010	-
Net (repayment)/drawdown of loans and borrowings	76,929	(403,548)
Net cash generated/(used in) financing activities	7,187	(498,597)
Currency translation differences	(13,595)	(10,731)
Net increase/(decrease) in cash and cash equivalents	(59,817)	(107,509)
Cash and cash equivalents at 1 January	624,176	731,686
Cash and cash equivalents at 31 December	564,359	624,177

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

	31.12.2018 RM'000	31.12.2017 RM'000
Cash and bank balances	406,358	287,430
Deposits placed with licensed banks	163,148	339,081
Cash and cash equivalents as per Statement of Financial Position	569,506	626,511
Bank overdrafts	(5,147)	(2,334)
	564,359	624,177

(The Condensed Consolidated Cash Flow statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 YEAR ENDED 31 DECEMBER 2018 (4TH 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 2017. 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 2017.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2017 except for the adoption of the Amendments and Annual Improvements to Standards effective from 1 January 2018:

MFRS and IC Interpretations

(Including the Consequential Amendments)

Effective Date

• MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
• Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
• Amendments to MFRS 15:	
Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
• MFRS 15 Revenue from Contracts with Customers	1 January 2018
• IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
• Amendments to MFRS 2:	
Classification and Measurement of Share-based Payment Transactions	1 January 2018
• Amendments to MFRS 140: Transfers to Investment Property	1 January 2018
• Annual Improvements MFRS Standards 2014 - 2016 Cycles:	
- Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	1 January 2018
- Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

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 other than MFRS 9 as follows:

MFRS 9 Financial instruments

The Group adopted MFRS 9 Financial instruments on 1 January 2018. MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets and on hedge accounting.

MFRS 9 also replaces MFRS 139 with a forward-looking expected credit loss ("ECL") model. Under MFRS 9, loss allowances, will be measured on either 12 months ECLs or Lifetime ECLs. As allowed by the transitional provision of MFRS 9, the Group elected not to restate the comparatives.

Effects arising from the initial application of the new impairment model and the recognition of equity investments to FVTPL are as follows:

**Impact of adoption of MFRS 9
to opening balance at 1 January 2018**

	RM'000
Decrease in retained earnings	58,243
Decrease in non-controlling interests	3,368
Decrease in trade and other receivables	58,230
Decrease in amount due from contract customers	4,990
Increase in deferred tax assets	1,609

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)

Effective Date

• 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 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
• Annual Improvements MFRS Standards 2015 - 2017 Cycles	1 January 2019

A3. QUALIFICATION OF PRECEDING YEAR'S AUDITED FINANCIAL STATEMENTS

The Auditors' Report of the financial statements for the preceding financial year ended 31 December 2017 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

There were no cancellation, repurchase, resale and repayment of debts and equity securities during the period under review.

A8. DIVIDEND PAID

The Company had made a first and final tax exempt dividend of 7.0 sen per ordinary share totaling RM33.69 million based on issued and paid up share capital (excluding treasury shares) of 481,324,250 on 24th September 2018.

A9. SEGMENT REVENUE AND RESULTS

Financial data by business segment for the Group:

	Year ended 31.12.2018	
	Revenue	Profit before tax
	RM'000	RM'000
Infrastructure construction	1,570,557	142,497
Cranes	545,234	94,915
Share of Concessions profits (net of tax)	376,132	151,312
	2,491,923	388,724
Less: Group eliminations	(452,193)	(126,642)
	2,039,730	262,082

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 28 February 2019, which would likely to substantially affect the results of the operations of the Group.

A12. CHANGES IN THE GROUP'S COMPOSITION

Favelle Favco Bhd, a subsidiary of the Company listed on the Main Market of Bursa Malaysia Securities Berhad had on 3 July 2018 completed the acquisitions of 70% equity interest of Exact Automation Sdn Bhd, Sedia Teguh Sdn Bhd, Exact Analytical Sdn Bhd and Exact Oil & Gas Sdn Bhd ("Exact Automation Group") respectively which provides design, engineering and maintenance services for integrated automation solutions, process analysers and specialised equipment for a total estimated purchase consideration of RM137 million.

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 31 December 2018 is approximately RM27 million.

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ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE YEAR ENDED 31 DECEMBER 2018 (4TH QUARTER)

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

B1. REVIEW OF GROUP PERFORMANCE (YTD Q4 2018 vs. YTD Q4 2017)

The Group reported similar consolidated revenue (including share of associates and joint ventures' revenue) of RM2 billion with higher profit after taxation of RM233 million for the financial year ended 31 December 2018 as compared to profit after taxation of RM191.3 million for the corresponding year ended 31 December 2017.

The improvement in profit after taxation is mainly contributed by our concession division with higher passenger and cargo growth.

B2. COMPARISON WITH PRECEDING QUARTER RESULTS (Q4 2018 vs. Q3 2018)

The Group generated higher consolidated revenue (including share of associates and joint ventures' revenue) of RM557 million and profit after taxation of RM64.8 million for the current quarter as compared to revenue (including share of associates and joint ventures' revenue) of RM514.1 million with profit after taxation of RM47.8 million for the preceding quarter mainly due to higher contribution from crane division and concession division.

The cranes division started recognising the contributions from its 70% subsidiary companies namely Exact Automation Group following the completion of the new acquisition since previous quarter. The concession division continues to see higher growth in revenue and contribution from airport operations.

B3. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 28 February 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:

Depreciation and amortisation

Finance costs

Interest income

Net loss/(gain) on foreign exchange

Current Quarter 31.12.2018 RM'000	Cumulative Quarter 31.12.2018 RM'000
27,356	71,391
3,900	22,092
(4,259)	(10,268)
7,235	(2,056)

B6. TAXATION

	Current Quarter 31.12.2018 RM'000	Cumulative Quarter 31.12.2018 RM'000
Current tax expense		
Malaysia	2,144	20,987
Overseas	188	4,497
	2,332	25,484
Deferred tax income		
Malaysia	3,822	3,553
Overseas	-	-
	3,822	3,553
Total tax expense	6,154	29,037

The Group's effective tax rate (excluding the results of associates which are equity accounted net of tax) is marginally 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

	Foreign Currency		31.12.2018 RM'000
	Currency	Amount	
Short term borrowings		'000	
Secured	RM	2,456	2,456
	DKK	3,697	2,577
	Sub- total		5,033
Unsecured	RM	342,295	342,295
	Sub- total		342,295
Total Short Term Borrowings			347,328
Long term borrowings			
Secured	RM	5,953	5,953
	DKK	23,923	15,362
	Sub- total		21,315
Unsecured	RM	63,085	63,085
Total Long Term Borrowings			84,400
Total gross borrowings			431,728

B9. UPDATES ON MATERIAL LITIGATIONS

Envac Scandinavia A.B ("Envac") and Eisenmann Anlagenbau GmbH & Co. KG ("Eisenmann") are nominated subcontractors for Hamad International Airport Project.

Envac has just been awarded QAR 2.4 million out of its total claim of QAR 32.6 million. The arbitration proceeding with Eisenmann for its claim of approximately QAR 37.5 million is still ongoing.

B10. PROPOSED DIVIDEND

The directors recommend a first and final tax exempt dividend of 7.5 sen per ordinary share in respect of the financial year ended 31 December 2018 subject to approval of the shareholders at the forthcoming Annual General Meeting. The payable final dividend will be approximately amounted to RM36.1 million.

The first and final dividend for the financial year ended 2018 is computed based on the issued and paid up share capital (excluding treasury shares) of 481,669,250 ordinary shares as at 31 December 2018.

B11. EARNINGS PER SHARE ("EPS")

Basic/Diluted EPS

	Basic EPS		Diluted EPS	
	Current 31.12.2018	Cumulative 31.12.2018	Current 31.12.2018	Cumulative 31.12.2018
Net profit attributable to the owners of the Company (RM'000)	37,882	144,800	37,882	144,800
Weighted average number of ordinary shares in issue ('000)	481,578	480,757	481,578	480,757
Effect of dilution: Share options ('000)	-	-	8,995	8,995
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	481,578	480,757	490,573	489,752
EPS (Sen)	7.87	30.12	7.72	29.57

By order of the Board of Directors
Company Secretary
Date : 28 February 2019