

MUHIBBAH ENGINEERING (M) BHD

(Company No : 12737-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	UNAUDITED AS AT 31.12.2019 RM'000	AUDITED AS AT 31.12.2018 RM'000
Assets		
Property, plant and equipment	896,537	903,892
Investment in associates	688,156	594,822
Other non-current assets	138,736	127,527
Total non-current assets	1,723,429	1,626,241
Receivables, deposits and prepayments	686,518	570,028
Contract assets	628,301	726,345
Inventories	267,899	257,699
Current tax assets and other assets	10,614	20,092
Cash and cash equivalents	606,719	591,271
Total current assets	2,200,051	2,165,435
Total assets	3,923,480	3,791,676
Equity		
Share capital	306,438	301,746
Reserves	812,399	818,689
Total equity attributable to owners of the Company	1,118,837	1,120,435
Non-controlling interests	559,644	517,902
Total equity	1,678,481	1,638,337
Liabilities		
Payables and accruals	3,205	23,045
Loans and borrowings	52,798	69,273
Deferred tax liabilities	50,820	47,851
Total non-current liabilities	106,823	140,169
Provision, payables and accruals	684,117	787,686
Contract liabilities	224,263	235,874
Bills payables	735,065	587,734
Loans and borrowings	462,616	381,748
Tax liabilities and other liabilities	32,115	20,128
Total current liabilities	2,138,176	2,013,170
Total liabilities	2,244,999	2,153,339
Total equity and liabilities	3,923,480	3,791,676
Net assets per share attributable to owners of the Company (RM)	2.31	2.33

(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 31 DECEMBER 2019 4TH QUARTER
(The figures have not been audited)**

	Note	Current/Preceding Qtr Ended		Cumulative Qtr	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018 (Audited)
		RM'000	RM'000	RM'000	RM'000
Revenue (Note 1a)	A9	550,228	458,064	1,608,939	1,576,096
Cost of sales, other income and operating expenses		(586,513)	(399,554)	(1,592,613)	(1,430,389)
Results from operating activities		(36,285)	58,510	16,326	145,707
Interest income		2,149	4,155	11,601	10,164
Finance costs		(9,571)	(5,999)	(25,383)	(24,136)
Operating profit	B5	(43,707)	56,666	2,544	131,735
Share of profit of associates and joint ventures, net of tax		29,509	26,066	155,935	142,094
Profit/(Loss) before tax	B5	(14,198)	82,732	158,479	273,829
Tax expense	B6	(20,148)	(19,397)	(39,703)	(42,280)
Profit/(Loss) for the year		(34,346)	63,335	118,776	231,549
Other comprehensive income/(expenses)					
Foreign currency translation differences for foreign operations		(19,256)	9,202	(22,673)	18,510
Other comprehensive income/(expense) for the year		(19,256)	9,202	(22,673)	18,510
Total comprehensive income/(expense) for the year		(53,602)	72,537	96,103	250,059
Profit attributable to:					
Owners of the Company		(55,498)	37,882	37,802	144,800
Non-controlling interests		21,152	25,453	80,974	86,749
Profit/(Loss) for the year		(34,346)	63,335	118,776	231,549
Total comprehensive income/(expense) attributable to:					
Owners of the Company		(69,426)	40,084	23,552	160,355
Non-controlling interests		15,824	32,453	72,551	89,704
Total comprehensive income/(expense) for the year		(53,602)	72,537	96,103	250,059
Earnings per ordinary share					
Basic (Sen)	B11	(11.48)	7.87	7.83	30.12
Diluted (Sen)	B11	(11.37)	7.64	7.75	29.59
Note (1a) - Proforma Revenue					
Revenue as reported above		550,228	458,064	1,608,939	1,576,096
Share of revenue of associates and joint ventures		131,319	136,536	484,537	501,185
Total revenue		681,547	594,600	2,093,476	2,077,281
<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 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 31 DECEMBER 2019 4TH QUARTER
(The figures have not been audited)

	← Attributable to shareholders of the Company →								
	Non-distributable				Distributable		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	Retained earnings RM'000	Total equity attributable to owners of the Company RM'000			
At 1 January 2019	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	-	-	-	(14,250)	-	(14,250)	(8,423)	(22,673)	
Profit for the period	-	-	-	-	37,802	37,802	80,974	118,776	
Total comprehensive income for the year	-	-	-	(14,250)	37,802	23,552	72,551	96,103	
Share options exercised	4,692	-	-	-	-	4,692	-	4,692	
Share-based payments	-	-	11,053	-	-	11,053	237	11,290	
Dilution of interest in subsidiary	-	-	-	-	(4,664)	(4,664)	4,664	-	
Dividend to owners of the Company	-	-	-	-	(36,231)	(36,231)	-	(36,231)	
Dividend to non-controlling interests	-	-	-	-	-	-	(35,710)	(35,710)	
At 31 December 2019	306,438	(5,561)	228,047	68,106	521,807	1,118,837	559,644	1,678,481	
At 1 January 2018									
As previously stated	241,057	(5,561)	268,474	66,801	467,281	1,038,052	420,570	1,458,622	
Adjustment for initial application of MFRS 9	-	-	-	-	(57,276)	(57,276)	(3,368)	(60,644)	
At 1 January 2018	241,057	(5,561)	268,474	66,801	410,005	980,776	417,202	1,397,978	
Foreign currency translation differences for foreign operations	-	-	-	15,555	-	15,555	2,955	18,510	
Profit for the period	-	-	-	-	144,800	144,800	86,749	231,549	
Total comprehensive income for the year	-	-	-	15,555	144,800	160,355	89,704	250,059	
Share options exercised	669	-	2,991	-	-	3,660	-	3,660	
Share-based payments	-	-	9,008	-	-	9,008	2,239	11,247	
Acquisition of subsidiary	-	-	-	-	-	-	28,282	28,282	
Acquisition of non-controlling interests	-	-	-	-	329	329	(1,131)	(802)	
Dividend to owners of the Company	-	-	-	-	(33,693)	(33,693)	-	(33,693)	
Dividend to non-controlling interests	-	-	-	-	-	-	(18,394)	(18,394)	
Transfer to share capital due to implementation of Companies Act 2016	60,020	-	(63,479)	-	3,459	-	-	-	
At 31 December 2018	301,746	(5,561)	216,994	82,356	524,900	1,120,435	517,902	1,638,337	

(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 31 DECEMBER 2019 4TH QUARTER**

	Unaudited Year ended 31.12.2019 RM'000	Audited Year ended 31.12.2018 RM'000
Cash flows from operating activities		
Profit before tax	158,479	273,829
Adjustments for non-cash items/non-operating items:		
Depreciation and amortisation	75,317	71,387
Finance costs	42,705	41,611
Gain on disposal of property, plant and equipment	(6,622)	(16,449)
Net impairment loss on investment in associate	-	175
Net impairment loss/(reversal) of loss on development costs	(3,460)	-
Net impairment loss/(recovery) on financial asset and receivables	13,025	(12,601)
Impairment/(reversal) of impairment on other investment	(539)	510
Net provision for impairment loss on property, plant and equipment	-	7,690
Net loss/(gain) on derivatives	225	6,131
Net loss/(gain) on foreign exchange	(2,715)	3,435
Interest income	(11,601)	(10,164)
Property, plant and equipment written off	41	403
Net provision for warranties	3,308	7,160
Share-based payments	11,290	11,247
Share of profit of associates	(155,935)	(142,094)
Inventories written down/(written-back)	9,289	3,977
Operating profit before changes in working capital	132,807	246,247
Changes in working capital:		
Receivables, deposits and prepayments	(139,989)	(40,313)
Inventories	(19,491)	9,695
Payables and accruals	(111,353)	109,112
Amount due from/(to) contract customers	85,645	(283,713)
Cash generated from/(used in) operations	(52,381)	41,028
Net income taxes paid	(22,110)	(17,465)
Net cash generated from/(used in) operating activities	(74,491)	23,563
Cash flows from investing activities		
Additions to development expenditures	1,310	-
Deferred payment for acquisition of subsidiary, net of cash inflow	(15,676)	(38,347)
Acquisition of non-controlling interests	-	(802)
Dividend received from associates	49,545	62,206
Proceeds from disposal of other non-current assets	-	619
Interest received	10,605	9,496
Proceeds from disposal of property, plant and equipment	15,876	20,241
Purchase of property, plant and equipment	(75,267)	(125,005)
Expenditure on land held for development	(2,246)	-
Net cash generated from/(used in) investing activities	(15,853)	(71,592)

MUHIBBAH ENGINEERING (M) BHD

(Company No : 12737-K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 4TH QUARTER**

	Unaudited Year ended 31.12.2019 RM'000	Audited Year ended 31.12.2018 RM'000
Cash flows from financing activities		
Dividend paid to owners of the Company	(36,231)	(33,693)
Dividend paid to non-controlling interests	(35,710)	(18,394)
Interests paid	(39,171)	(40,100)
Proceeds from exercise of share options	4,692	3,660
Proceeds from issuance of shares to non-controlling interests of a subsidiary	5,790	-
Net drawdown of loans and borrowings	200,447	76,928
Net cash generated from/(used in) financing activities	99,817	(11,599)
Currency translation differences	(5,302)	2,283
Net increase/(decrease) in cash and cash equivalents	4,171	(57,345)
Cash and cash equivalents at 1 January	566,831	624,176
Cash and cash equivalents at 31 December	571,002	566,831

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

	31.12.2019 RM'000	31.12.2018 RM'000
Cash and bank balances	209,938	300,546
Deposits placed with licensed banks	396,781	290,725
Cash and cash equivalents as per Statement of Financial Position	606,719	591,271
Bank overdrafts	(35,717)	(24,440)
	571,002	566,831

(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 31 DECEMBER 2019 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") 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 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:

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 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:

MFRSs and IC Interpretations

(Including the Consequential Amendments, if any)

Effective Date

• 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 that have a material effect on the current quarter results.

A7. DEBT AND EQUITY SECURITIES

During the 12 months financial year ended 31 December 2019, a total of 1,716,000 new ordinary shares were issued pursuant to the exercise of the Employees' Share Issuance Scheme ("SIS").

A8. DIVIDEND PAID

The Group has paid a first and final tax exempt dividend of 7.50 sen per ordinary share totaling RM36.23 million on the issued and paid-up share capital (excluding treasury shares) of 483,075,250 on 29 July 2019.

A9. SEGMENT REVENUE AND RESULTS

Financial data by business segment for the Group:

	Year ended 31.12.2019	
	Revenue RM'000	Profit before tax RM'000
Infrastructure construction	1,396,835	26,679
Cranes	700,231	117,997
Share of Concessions profits (net of tax)	423,288	169,693
	2,520,354	314,369
Less: Group eliminations	(426,878)	(155,890)
	2,093,476	158,479

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 2020, which would likely to substantially affect the results of the Group for year 2019.

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 28 February 2020 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 31 DECEMBER 2019 4TH QUARTER

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

B1. REVIEW OF GROUP PERFORMANCE (YTD Q4 2019 vs. YTD Q4 2018)

The Group reported similar consolidated revenue (including share of associates and joint ventures' revenue) of RM2.1 billion with lower profit after taxation of RM118.8 million for the financial year ended 31 December 2019 as compared to consolidated revenue (including share of associates and joint ventures' revenue) of RM2.1 billion and profit after taxation of RM231.5 million for the corresponding year ended 31 December 2018.

The lower Group profit after taxation is mainly due to the provision made for project claims and variation orders for construction projects.

The cranes and concessions divisions have reported better results compared to previous year.

B2. COMPARISON WITH PRECEDING QUARTER RESULTS (Q4 2019 vs. Q3 2019)

The Group reported loss after taxation of RM34.3 million for the current quarter as compared to profit after taxation of RM49.1 million for the preceding quarter mainly due to provision made for project claims and variation orders for construction projects.

B3. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 28 February 2020, the Group's total outstanding secured order book in hand for the construction and cranes division is RM 1.5 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 authorities and is not subject to any profit guarantee.

B5. PROFIT BEFORE TAX

	Current Quarter 31.12.2019 RM'000	Cumulative Quarter 31.12.2019 RM'000
Profit before tax is arrived at after (crediting)/charging the following:		
Depreciation and amortisation	22,009	75,317
Finance costs	9,570	42,705
Interest income	(2,149)	(11,601)
Net loss/(gain) on foreign exchange	(4,654)	(2,715)
Gain on disposal of property, plant and equipment	(6,322)	(6,622)
Write-back of development costs	(3,460)	(3,460)
Net impairment loss/(recovery) on receivables	10,515	13,025
Inventories written down/(written-back)	9,289	9,289

B6. TAXATION

	Current Quarter 31.12.2019 RM'000	Cumulative Quarter 31.12.2019 RM'000
Current tax expense		
Malaysia	18,103	32,316
Overseas	7,786	11,030
	25,889	43,346
Deferred tax income		
Malaysia	(5,741)	(3,643)
Overseas	-	-
	(5,741)	(3,643)
Total tax expense	<u>20,148</u>	<u>39,703</u>

The Group's effective tax rate (excluding the results of associates which are equity accounted net of tax) for the financial year is higher than the statutory tax rate mainly due to different tax rates in applicable foreign jurisdictions, deferred tax assets not recognised for unused tax losses of certain subsidiaries, and no group tax relief applicable for different listed companies and 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		31.12.2019 RM'000
	Currency	Amount	
Short term borrowings		'000	
Secured			
RM		635	635
AUD		1,531	4,390
DKK		5,602	3,437
Sub- total			8,462
Unsecured			
RM		432,433	432,433
DKK		35,409	21,721
Sub- total			454,154
Total Short Term Borrowings			462,616
Long term borrowings			
Secured			
RM		8,582	8,582
DKK		22,771	13,969
Sub- total			22,551
Unsecured			
RM		30,247	30,247
Total Long Term Borrowings			52,798
Total Gross Borrowings			515,414

B9. UPDATES ON MATERIAL LITIGATIONS

As at 28 February 2020, the material arbitration cases for the Group namely (i) The Government Of Syrian Arab Republic, and (ii) TTCL Malaysia Sdn Bhd (formerly known as Toyo Thai Malaysia Sdn Bhd) remain ongoing.

B10. PROPOSED DIVIDEND

The Directors recommend a first and final tax exempt dividend of 2.5 sen per ordinary share in respect of the financial year ended 31 December 2019 subject to approval of the shareholders at the forthcoming Annual General Meeting. The proposed final dividend payable is approximately RM12.1 million.

The first and final dividend for the financial year ended 31 December 2019 is computed based on the issued and paid-up share capital (excluding treasury shares) of 483,385,250 ordinary shares as at 31 December 2019.

B11. EARNINGS PER SHARE ("EPS")

Basic/Diluted EPS

	Basic EPS		Diluted EPS	
	Current 31.12.2019	Cumulative 31.12.2019	Current 31.12.2019	Cumulative 31.12.2019
Net profit attributable to the owners of the Company (RM'000)	(55,498)	37,802	(55,498)	37,802
Weighted average number of ordinary shares in issue ('000)	483,283	482,586	483,283	482,586
Effect of dilution: Share options ('000)	-	-	5,006	5,035
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	483,283	482,586	488,289	487,621
EPS (Sen)	(11.48)	7.83	(11.37)	7.75

By order of the Board of Directors
Company Secretary
Date : 28 February 2020