

MUHIBBAH ENGINEERING (M) BHD

Registration No. 197201001137 (12737-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	UNAUDITED	AUDITED
	AS AT	AS AT
	30.6.2020	31.12.2019
	RM'000	RM'000
Assets		
Property, plant and equipment	933,240	930,983
Investment in associates	721,521	688,446
Other non-current assets	132,749	129,632
Total non-current assets	1,787,510	1,749,061
Receivables, deposits and prepayments	577,454	681,485
Contract assets	580,280	608,488
Inventories	278,179	266,497
Current tax assets and other assets	16,027	10,825
Cash and cash equivalents	523,626	604,994
Total current assets	1,975,566	2,172,289
Total assets	3,763,076	3,921,350
Equity		
Share capital	306,601	306,438
Reserves	800,598	806,563
Total equity attributable to owners of the Company	1,107,199	1,113,001
Non-controlling interests	591,221	563,724
Total equity	1,698,420	1,676,725
Liabilities		
Payables and accruals	3,340	3,205
Loans and borrowings	71,480	48,230
Deferred tax liabilities	52,932	52,203
Total non-current liabilities	127,752	103,638
Provision, payables and accruals	594,398	691,396
Contract liabilities	272,004	232,456
Bills payables	618,884	695,065
Loans and borrowings	435,143	497,259
Tax liabilities and other liabilities	16,475	24,811
Total current liabilities	1,936,904	2,140,987
Total liabilities	2,064,656	2,244,625
Total equity and liabilities	3,763,076	3,921,350
Net assets per share attributable to owners of the Company (RM)	2.29	2.30

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2019 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 2020 (2ND QUARTER)**

(The figures have not been audited)

	Note	Current/Preceding Qtr Ended		Cumulative Qtr	
		30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
Revenue (Note 1a)	A9	271,056	568,872	604,549	841,257
Cost of sales, other income and operating expenses		(274,826)	(540,952)	(600,382)	(803,203)
Results from operating activities		(3,770)	27,920	4,167	38,054
Interest income		3,227	3,461	4,246	7,196
Finance costs		(8,831)	(5,303)	(12,255)	(10,530)
Other expenses		(11,000)	-	(11,000)	-
Operating profit/(loss)	B5	(20,374)	26,078	(14,842)	34,720
Share of profit of associates and joint ventures, net of tax		(10,561)	31,755	5,979	82,583
Profit/(Loss) before tax	B5	(30,935)	57,833	(8,863)	117,303
Tax expense	B6	(3,980)	(8,205)	(6,866)	(13,274)
Profit/(Loss) after tax for the period		(34,915)	49,628	(15,729)	104,029
Other comprehensive income/(expenses)					
Foreign currency translation differences for foreign operations		(3,899)	12,418	40,374	(6,384)
Other comprehensive income/(expense) for the period		(3,899)	12,418	40,374	(6,384)
Total comprehensive income/(expense) for the period		(38,814)	62,046	24,645	97,645
Profit/(Loss) attributable to:					
Owners of the Company		(39,705)	30,861	(34,605)	63,872
Non-controlling interests		4,790	18,767	18,876	40,157
Profit/(Loss) for the period		(34,915)	49,628	(15,729)	104,029
Total comprehensive income/(expense) attributable to:					
Owners of the Company		(45,478)	40,981	(7,383)	61,141
Non-controlling interests		6,664	21,065	32,028	36,504
Total comprehensive income/(expense) for the period		(38,814)	62,046	24,645	97,645
Earnings/(loss) per ordinary share					
Basic (Sen)	B11	(8.22)	6.40	(7.16)	13.25
Diluted (Sen)	B11	(8.22)	6.31	(7.16)	13.06
Note (1a) - Proforma Revenue					
Revenue as reported above		271,056	568,872	604,549	841,257
Share of revenue of associates		34,187	112,864	131,320	237,495
Total revenue		305,243	681,736	735,869	1,078,752
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 2019 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 JUNE 2020 (2ND 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				
At 1 January 2020	306,438	(5,561)	220,287	68,254	523,583	1,113,001	563,724	1,676,725	
Foreign currency translation differences for foreign operations	-	-	-	27,222	-	27,222	13,152	40,374	
Profit/(Loss) after tax for the period	-	-	-	-	(34,605)	(34,605)	18,876	(15,729)	
Total comprehensive income/(expense) for the period	-	-	-	27,222	(34,605)	(7,383)	32,028	24,645	
Share options exercised	135	-	-	-	-	135	-	135	
Transfer to share capital for share options exercised	28	-	(28)	-	-	-	-	-	
Share-based payments	-	-	1,446	-	-	1,446	284	1,730	
Issuance of shares to non-controlling interests	-	-	-	-	-	-	183	183	
Dividend to non-controlling interests	-	-	-	-	-	-	(4,998)	(4,998)	
At 30 June 2020	306,601	(5,561)	221,705	95,476	488,978	1,107,199	591,221	1,698,420	
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	-	-	-	(2,731)	-	(2,731)	(3,653)	(6,384)	
Profit for the period	-	-	-	-	63,872	63,872	40,157	104,029	
Total comprehensive income/(expense) for the period	-	-	-	(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	
At 30 June 2019	303,341	(5,561)	220,467	79,625	588,772	1,186,644	554,738	1,741,382	

(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 2019 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 2020 (2ND QUARTER)

(The figures have not been audited)

	For the 6 Months Period ended 30.6.2020 RM'000	For the 6 Months Period ended 30.6.2019 RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	(8,863)	117,303
Adjustments for non-cash items/non-operating items:		
Depreciation and amortisation	29,746	35,666
Other expenses - one off provision for restructuring costs	11,000	-
Finance costs	12,255	22,313
Gain on disposal of property, plant and equipment	(1,126)	(6,369)
Net impairment recovery on financial asset and receivables	2,641	2,526
Net loss/(gain) on derivatives	839	405
Net (gain)/loss on foreign exchange	825	2,568
Interest income	(4,246)	(7,196)
Net provision for warranties	(773)	2,097
Share-based payments	1,732	3,805
Share of profit of associates	(5,979)	(82,583)
Operating profit before changes in working capital	38,051	90,535
Changes in working capital:		
Receivables, deposits and prepayments	101,731	(37,963)
Inventories	(11,682)	7,126
Payables and accruals	(106,728)	(37,783)
Amount due from/(to) contract customers	67,757	(142,170)
Cash generated from/(used in) operations	89,129	(120,255)
Net income taxes paid	(23,268)	(19,053)
Net cash generated from/(used in) operating activities	65,861	(139,308)
Cash flows from investing activities		
Additions to development expenditures	(602)	(517)
Dividend received from associates	2,100	5,783
Interest received	4,236	7,181
Proceeds from disposal of property, plant and equipment	4,884	8,943
Purchase of property, plant and equipment	(23,586)	(21,834)
Expenditure on land held for development	(2,246)	(2,246)
Net cash used in investing activities	(15,214)	(2,690)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020 (2ND QUARTER)
(The figures have not been audited)

	For the 6 Months Period ended 30.6.2020 RM'000	For the 6 Months Period ended 30.6.2019 RM'000
Cash flows from financing activities		
Dividend paid to non-controlling interests	(4,998)	-
Interests paid	(12,175)	(22,249)
Proceeds from exercise of share options	135	1,595
Proceeds from issuance of shares by a public listed subsidiary	183	-
Net (repayment)/drawdown of loans and borrowings	(105,112)	98,284
Net cash (used in)/generated from financing activities	(121,967)	77,630
Currency translation differences	(78)	(7,683)
Net decrease in cash and cash equivalents	(71,398)	(72,051)
Cash and cash equivalents at 1 January	575,919	566,831
Cash and cash equivalents at 30 June	504,521	494,780

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

	30.6.2020 RM'000	30.6.2019 RM'000
Cash and bank balances	238,145	213,048
Deposits placed with licensed banks	285,481	321,529
Cash and cash equivalents as per Statement of Financial Position	523,626	534,577
Bank overdrafts	(19,105)	(39,797)
	504,521	494,780

(The Condensed Consolidated Cash Flow statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019 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 JUNE 2020 (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 2019. 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 2019.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2019 and for the adoption of the Amendments and Annual Improvements to Standards effective from 1 January 2020:

MFRSs and IC Interpretations

(Including the Consequential Amendments)

Effective Date

- | | |
|---|----------------|
| • Amendments to MFRS 3: Definition of a Business | 1 January 2020 |
| • Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform | 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 |

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

- | | |
|---|----------------|
| • Amendment to MFRS 16 Leases: Covid-19-Related Rent Concessions | 1 June 2020 |
| • Amendments to MFRS 101: Classification of Liabilities as Current or Non-current | 1 January 2023 |
| • 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 |
| • MFRS 17 Insurance Contracts and Amendments | 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 2019 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 except for the one off restructuring costs as disclosed in Note B5.

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 under review.

A9. SEGMENT REVENUE AND RESULTS

Financial data by business segment for the Group:

	Period ended 30.6.2020	
	Revenue	Profit/(Loss)
	RM'000	before tax
	RM'000	RM'000
Infrastructure construction	505,825	(9,093)
Cranes and automation	246,456	27,611
Share of Concessions profits (net of tax)	113,279	9,267
	<u>865,560</u>	<u>27,785</u>
Less: Group eliminations	(129,691)	(36,648)
	<u><u>735,869</u></u>	<u><u>(8,863)</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 28 August 2020, which would likely to substantially affect the results of the Group for year 2020.

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 June 2020 is approximately RM14 million.

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ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 30 JUNE 2020 (2ND QUARTER)

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

B1. REVIEW OF GROUP PERFORMANCE (YTD Q2 2020 vs. YTD Q2 2019)

The Group reported lower consolidated revenue (including share of associates' revenue) of RM735.9 million with loss before tax of RM8.9 million for the financial period ended 30 June 2020 as compared to consolidated revenue (including share of associates' revenue) of RM1,078.8 million and profit before tax of RM117.3 million for the corresponding period ended 30 June 2019.

The decrease in revenue and reported loss after tax for the financial period was mainly due to the adverse impact to the Group's Infrastructure and Airport Concessions division arising from the global COVID-19 pandemic. There is also provision for staff restructuring exercise to streamline operational costs.

B2. COMPARISON WITH PRECEDING QUARTER RESULTS (Q2 2020 vs. Q1 2020)

The Group reported lower consolidated revenue (including share of associates' revenue) of RM305.2 million as compared to consolidated revenue (including share of associates' revenue) of RM430.6 million in the preceding quarter is mainly due to movement control order ("MCO") and has resulted lower work performed.

The Group reported loss before tax of RM30.9 million for the current quarter as compared to profit before tax of RM22.1 million for the preceding quarter mainly due to the adverse impact from the global COVID-19 pandemic. There is also provision for staff restructuring exercise to streamline operational costs in the current quarter.

B3. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 21 August 2020, the Group's total outstanding secured order book in hand for the construction and cranes division is RM 1.2 billion.

b) Current Year Prospect

The overall global economy is facing great challenges as a results from the COVID-19 pandemic coupled with the decline and volatility in crude oil prices. Bank Negara Malaysia ("BNM") has reported that Malaysia's GDP contracted 17.1% in the second quarter of 2020 due to the three phases of the MCO and CMCO to curb the spread of Covid-19 in Malaysia. The construction sector recorded the biggest decline of 44.5%. BNM has revised its official GDP growth forecast for 2020 to be between -3.5% to -5.5%.

In view of the above adverse factors and barring any other unforeseen circumstances, the Group is foreseeing a challenging business environment for 2020. The Group is taking appropriate measures and actions to cater for the business moving forward.

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 30.6.2020 RM'000	Cumulative Quarter 30.6.2020 RM'000
Profit/(Loss) before tax is arrived at after (crediting)/charging the following:		
Depreciation and amortisation	10,549	29,746
Finance costs	8,831	12,255
Interest income	(3,227)	(4,246)
Net loss/(gain) on foreign exchange	2,466	825
Net loss/(gain) on derivatives	(288)	839
Gain on disposal of property, plant and equipment	(418)	(1,126)
Net impairment loss/(recovery) on receivables	3,424	2,641
Other expenses - one off provision for restructuring costs	11,000	11,000

B6. TAXATION

	Current Quarter 30.6.2020 RM'000	Cumulative Quarter 30.6.2020 RM'000
Current tax expense		
Malaysia	3,210	7,028
Overseas	601	(569)
	3,811	6,459
Deferred tax income		
Malaysia	169	407
Overseas	-	-
	169	407
Total tax expense	3,980	6,866

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 yet 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		30.6.2020 RM'000
	Currency	Amount	
Short term borrowings		'000	
Secured	RM	5,609	5,609
	AUD	278	815
	DKK	63,382	40,911
	Sub- total		47,335
Unsecured	RM	387,247	387,247
	USD	131	561
	Sub- total		387,808
Total Short Term Borrowings			435,143
Long term borrowings			
Secured	RM	8,409	8,409
	DKK	16,765	10,821
	Sub- total		19,230
Unsecured	RM	52,250	52,250
Total Long Term Borrowings			71,480
Total Gross Borrowings			506,623

B9. UPDATES ON MATERIAL LITIGATIONS

As at 28 August 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 did not recommend any dividend for the financial period under review.

B11. EARNINGS PER SHARE ("EPS")**Basic/Diluted EPS**

	Basic EPS		Diluted EPS	
	Current 30.6.2020	Cumulative 30.6.2020	Current 30.6.2020	Cumulative 30.6.2020
Net profit attributable to the owners of the Company (RM'000)	(39,705)	(34,605)	(39,705)	(34,605)
Weighted average number of ordinary shares in issue ('000)	483,387	483,386	483,387	483,386
Effect of dilution: Share options ('000)	-	-	N/A	N/A
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	483,387	483,386	483,387	483,386
EPS (Sen)	(8.21)	(7.16)	(8.21)	(7.16)

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