

MUHIBBAH ENGINEERING (M) BHD
(Company No : 12737-K)
(Incorporated in Malaysia)

ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2007 (1ST QUARTER)

CONDENSED CONSOLIDATED BALANCE SHEETS

	UNAUDITED AS AT 31.3.2007 RM'000	AUDITED AS AT 31.12.2006 RM'000
Assets		
Property, plant and equipment	293,539	275,840
Prepaid lease payments	33,620	33,706
Investment properties	629	635
Investments in associates	120,051	120,966
Other investments	67	67
Development costs	4,923	5,561
Other intangible assets	1,040	1,103
Deferred tax assets	204	204
Long term advance due from an associate	10,000	10,000
Land held for development	6,626	6,775
Total non-current assets	470,699	454,857
Prepaid lease payments	446	446
Investments in joint ventures	234	234
Receivables, deposits and prepayments	412,633	339,051
Contract work-in-progress	350,029	354,795
Inventories	130,905	124,938
Current tax assets	4,936	5,069
Cash and cash equivalents	138,789	99,530
Total current assets	1,037,972	924,063
Total assets	1,508,671	1,378,920

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CONDENSED CONSOLIDATED BALANCE SHEETS (continued)

	UNAUDITED AS AT 31.3.2007 RM'000	AUDITED AS AT 31.12.2006 RM'000
Equity		
Share capital	149,618	149,618
Reserves	44,450	44,939
Retained earnings	141,512	126,880
Total equity attributable to shareholders of the Company	335,580	321,437
Minority interest	59,647	57,575
Total Equity	395,227	379,012
Liabilities		
Advances from minority shareholders	17,334	17,700
Loans and borrowings	74,536	86,581
Deferred tax liabilities	12,737	11,664
Total non-current liabilities	104,607	115,945
Payables and accruals	325,097	322,436
Amount due to contract customers	165,129	114,322
Bills payables	331,569	252,763
Loans and borrowings	170,307	180,829
Tax liabilities	9,945	6,702
Provisions	6,790	6,911
Total current liabilities	1,008,837	883,963
Total liabilities	1,113,444	999,908
Total equity and liabilities	1,508,671	1,378,920
Net assets per share attributable to shareholders of the Company (RM)	2.24	2.15

**The Condensed Consolidated Balance Sheets should be read in conjunction with the
Annual Financial Report for the year ended 31 December 2006**

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ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
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CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
		31.3.2007 RM'000	31.3.2006 RM'000	31.3.2007 RM'000	31.3.2006 RM'000
Revenue		252,817	295,102	252,817	295,102
Cost of sales and operating expenses		(243,998)	(287,806)	(243,998)	(287,806)
Other income		4,725	1,170	4,725	1,170
Results from operating activities		13,544	8,466	13,544	8,466
Interest income		599	441	599	441
Finance costs		(3,547)	(4,299)	(3,547)	(4,299)
Operating profit		10,596	4,608	10,596	4,608
Share of profit after tax and minority interest of equity accounted associates		8,679	6,780	8,679	6,780
Share of profit/(loss) after tax of joint ventures		-	(59)	-	(59)
Profit before tax and exceptional items		19,275	11,329	19,275	11,329
Exceptional items	5	-	-	-	-
Profit before tax		19,275	11,329	19,275	11,329
Tax expense	17	(2,605)	(447)	(2,605)	(447)
Profit for the period		16,670	10,882	16,670	10,882
Attributable to:					
Shareholders of the Company		14,632	9,697	14,632	9,697
Minority interest		2,038	1,185	2,038	1,185
Profit for the period		16,670	10,882	16,670	10,882
Earnings per ordinary share					
Basic (Sen)	25	9.78	6.71	9.78	6.71
Diluted (Sen)	25	9.15	N/A *	9.15	N/A *

* Not applicable as the effect is anti-dilutive

**The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial
Report for the year ended 31 December 2006**

MUHIBBAH ENGINEERING (M) BHD
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE PERIOD ENDED 31 MARCH 2007 (1ST QUARTER)**

←────────────────── Attributable to shareholders of the Company ───────────────────→
 ←────────────────── Non-distributable ───────────────────→ Distributable

	Share capital RM'000	Reserves attributable to capital RM'000	Reserve attributable to revenue RM'000	Retained earnings RM'000	Total equity attributable to shareholders of the Company RM'000	Minority interest RM'000	Total equity RM'000
At 1 January 2006	144,568	32,255	11,351	99,065	287,239	12,078	299,317
Exchange differences on translation of the financial statements of foreign entities	-	-	(170)	-	(170)	-	(170)
Profit for the year	-	-	-	9,697	9,697	1,185	10,882
At 31 March 2006	<u>144,568</u>	<u>32,255</u>	<u>11,181</u>	<u>108,762</u>	<u>296,766</u>	<u>13,263</u>	<u>310,029</u>
At 1 January 2007	149,618	34,097	10,842	126,880	321,437	57,575	379,012
Share-based payments	-	792	-	-	792	-	792
Exchange differences on translation of the financial statements of foreign entities	-	-	(1,281)	-	(1,281)	34	(1,247)
Profit for the year	-	-	-	14,632	14,632	2,038	16,670
At 31 March 2007	<u>149,618</u>	<u>34,889</u>	<u>9,561</u>	<u>141,512</u>	<u>335,580</u>	<u>59,647</u>	<u>395,227</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended
 31 December 2006

MUHIBBAH ENGINEERING (M) BHD
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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2007 (1ST QUARTER)

	Unaudited Quarter YTD 31.3.2007 RM'000	Cumulative Quarter YTD 31.3.2006 RM'000
Net cash generated from/(used in) operating activities	6,086	17,243
Net cash generated from/(used in) investing activities	(15,098)	1,363
Net cash generated from/(used in) financing activities	67,691	(28,198)
Net increase/(decrease) in cash and cash equivalents	58,679	(9,592)
Cash and cash equivalents at 1 January	53,245	85,023
Currency translation differences	(488)	(422)
Cash and cash equivalents at 31 March	<u>111,436</u>	<u>75,009</u>

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	31.3.2007 RM'000	31.3.2006 RM'000
Cash and bank balances	86,396	36,641
Deposits placed with licensed banks	52,393	57,010
Cash and cash equivalents per balance sheet	138,789	93,651
Bank overdrafts	(27,353)	(18,642)
	<u>111,436</u>	<u>75,009</u>

**The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual
Financial Report for the year ended 31 December 2006**

MUHIBBAH ENGINEERING (M) BHD
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ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2007 (1ST QUARTER)

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad, including compliance with Financial Reporting Standards ("FRS") 134 Interim Financial Reporting, issued by the Malaysian Accounting Standards Board ("MASB").

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2006 audited financial statements, except for the adoption of the new/revised FRSs as mentioned in Note 2 below.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2006.

2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted by the Group are consistent with those of the audited financial statements for the year ended 31 December 2006 except for the adoption of the following Financial Reporting Standards ("FRS") as per the requirement of Malaysian Accounting Standards Board for financial period beginning 1 January 2007:

FRS 124	Related Party Disclosures
Amendment to FRS 119 ²⁰⁰⁴	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

The adoption of the abovementioned FRSs during the financial period does not have significant impact on the financial statements of the Group.

The following FRSs were adopted by the Group during the financial year ended 31 December 2006:

FRS 2	Share-based payment
FRS 101	Presentation of financial statements
FRS 102	Inventories
FRS 108	Accounting policies, changes in estimates and errors
FRS 110	Events after the balance sheet date
FRS 116	Property, plant and equipment
FRS 117	Leases
FRS 121	The effects of changes in foreign exchange rates
FRS 127	Consolidated and separate financial statements
FRS 128	Investments in associates
FRS 131	Investments in joint ventures
FRS 132	Financial instruments: disclosure and presentation
FRS 133	Earnings per share
FRS 140	Investment property

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2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The following FRSs were adopted by the Group during the financial year ended 31 December 2005:

FRS 3	Business combinations
FRS 136	Impairment of assets
FRS 138	Intangible assets

3. QUALIFICATION OF PRECEDING YEAR'S AUDITED FINANCIAL STATEMENTS

The audited financial statements of the Company for the preceding year ended 31 December 2006 were not subject to any qualification.

4. EXPLANATORY COMMENT ON SEASONALITY OR CYCLICALITY

The Group does not experience material seasonality or cyclicity activity fluctuation on quarterly basis except for the Concessions Division whereby the international tourists arrival to visit Angkor Wat in Cambodia usually increases in the second half of the year in conjunction with summer and year end holidays.

5. EXCEPTIONAL/UNUSUAL ITEMS

There are no exceptional/unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter.

6. CHANGE IN ESTIMATES

There are no material changes in estimates of amounts that have material effect in the current quarter.

7. DEBT AND EQUITY SECURITIES

There are no issuances, cancellation, repurchases, resale or repayment of debts and equity securities for the current quarter.

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8. SEGMENTAL INFORMATION

	Infrastructure Construction RM'000	Cranes RM'000	Marine- Ship Repair and Ship Building RM'000	Concess- ions RM'000	Conso- lidated RM'000
BUSINESS SEGMENTS					
Revenue from external customers	143,917	72,139	36,761	-	252,817
Operating profit/(loss)	3,202	5,922	4,420	-	13,544
Interest income	329	270	-	-	599
Finance costs	(586)	(2,121)	(673)	(167)	(3,547)
Share of profit/(loss) after tax and minority interest of equity accounted associates	415	(14)	-	8,278	8,679
Share of loss after tax of joint ventures	-	-	-	-	-
Profit before tax	3,360	4,057	3,747	8,111	19,275
Segment assets	744,853	435,253	200,199	8,081	1,388,386
Investments in associates	26,300	102	-	93,649	120,051
Investments in joint ventures	234	-	-	-	234
Total assets	771,387	435,355	200,199	101,730	1,508,671
Total liabilities	(651,105)	(317,440)	(137,526)	(7,373)	(1,113,444)
Total equity	120,282	117,915	62,673	94,357	395,227
Profit before tax on total equity	2.8%	3.4%	6.0%	8.6%	4.9%

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8. SEGMENTAL INFORMATION (CONTINUED)

	Inside Malaysia RM'000	Outside Malaysia RM'000	Conso- lidated RM'000
GEOGRAPHICAL SEGMENTS			
Revenue from external customers	145,002	107,815	252,817
Operating profit	13,068	476	13,544
Interest income	374	225	599
Finance costs	(3,327)	(220)	(3,547)
Share of profit after tax and minority interest of equity accounted associates	2,063	6,616	8,679
Share of loss after tax of joint ventures	-	-	-
Profit before tax	12,178	7,097	19,275
Segment assets	870,486	517,900	1,388,386
Investments in associates	33,861	86,190	120,051
Investments in joint ventures	325	(91)	234
Total assets	904,672	603,999	1,508,671
Total liabilities	(759,976)	(353,468)	(1,113,444)
Total equity	144,696	250,531	395,227
Profit before tax on total equity	8.4%	2.8%	4.9%

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9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment of the Group and the Company are stated at cost less accumulated depreciation and accumulated impairment losses, if any. None of the property, plant and equipment are stated at valuation.

10. MATERIAL SUBSEQUENT EVENT

There is no material subsequent event from the end of the quarter to 21 May 2007.

11. MATERIAL CHANGES IN THE GROUP'S COMPOSITION

There are no material changes in the Group's composition during the period.

12. CONTINGENT LIABILITIES/ASSETS AS AT 31 MARCH 2007

Corporate guarantee for credit facilities granted to subsidiary companies

RM'000
229,277

There are no contingent assets as at 31 March 2007.

13. COMPARISON WITH PRECEDING QUARTER RESULTS (Q1 2007 vs Q4 2006)

a) Consolidated Profit Before Tax

The Group recorded a consolidated profit before tax of RM19.3 million for the quarter under review as compared to RM13.1 million in the fourth quarter of year 2006, representing an increase of 47.3% in the consolidated profit before tax during the current quarter.

b) Consolidated Net Profit Attributable to the Shareholders of the Company

The Group reported a higher consolidated net profit attributable to the shareholders of the Company of RM14.6 million for the quarter under review, represents an increase of 65.9% as compared to RM8.8 million consolidated net profit attributable to shareholders of the Company for the fourth quarter of year 2006.

The higher consolidated profit before tax and consolidated net profit attributable to the shareholders of the Company is contributed mainly from Infrastructure Construction, Cranes and Shipyard divisions following the improvement in operating margin of these divisions.

14. REVIEW OF GROUP PERFORMANCE (YTD Q1 2007 vs YTD Q1 2006)

a) Consolidated Revenue

The Group generated a consolidated revenue of RM252.8 million for the period ended 31 March 2007, lower by 14.3% as compared to RM295.1 million consolidated revenue for the period ended 31 March 2006. The lower consolidated revenue of the Group generated during the current quarter is due to more physical construction work done for the same quarter in 2006 as compared to more design and engineering work performed during the current quarter under review, particularly for the Yemen LNG Jetty project.

b) Consolidated Profit Before Tax

The Group recorded a consolidated profit before tax of RM19.3 million for the period ended 31 March 2007 as compared to RM11.3 million for the period ended 31 March 2006, representing an increase of 70.8% in the consolidated profit before tax.

c) Consolidated Net Profit Attributable to the Shareholders of the Company

The Group reported a higher consolidated net profit attributable to the shareholders of the Company of RM14.6 million for the period ended 31 March 2007, represents an increase of 50.5% as compared to RM9.7 million consolidated net profit attributable to shareholders of the Company for the period ended 31 March 2006.

The higher consolidated net profit attributable to the shareholders of the Company is mainly due to the improvement in the operating margin derived from better contract pricing and operational efficiency of Infrastructure Construction Division, Cranes Division and Shipyard Division during the current quarter.

The international passengers flown to Phnom Penh and Siem Reap have surged by 36% during the current quarter and hence contributed to the increase in revenue and profit of the Concession Division.

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15. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

For year 2007, the Infrastructure Construction Division further secured a contract worth RM450 million on procurement, construction and commissioning of a petroleum hub and bunkering facility near the Port of Tanjung Pelepas, Johor and a contract worth RM41 million for the execution, completion and commissioning of mechanical, pipelines and piping works for a project known as Mala Satellite Development Project in Sudan.

As at 21 May 2007, the total outstanding secured order book in hand of the Group is RM2.11 billion, comprises of RM1.30 billion from Infrastructure Construction Division, RM489 million from Cranes Division and RM322 million from Shipyard Division, of which approximately 80% of the total Group order book is derived from the international oil and gas industry.

b) Current Year Prospect

The growth in Group order book is mainly spurred from the capital development of global oil and gas industry particularly in the global offshore oil and gas exploration and related activities.

In view of the positive economy outlook and oil and gas industry development in the Asia Pacific region, the Group is well positioned to further increase its order book and performance.

16. PROFIT FORECAST

The Group has not issued any profit forecast to the relevant authorities and is not subject to any profit guarantee.

17. TAX EXPENSE

	Current Quarter 31.3.2007 RM'000	Cumulative Qtr To-date 31.3.2007 RM'000
Current tax expense		
Malaysia - current	(2,539)	(2,539)
Overseas - current	(66)	(66)
	(2,605)	(2,605)
	(2,605)	(2,605)

The effective tax rate of the Group for the period ended 31 March 2007 is lower than the local statutory tax rate mainly due to tax exempt income from pioneer status and investment tax allowances of major subsidiaries granted by the relevant authorities.

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18. PROFIT ON SALE OF UNQUOTED INVESTMENT AND/OR PROPERTIES

There is no profit on sale of unquoted investment and/or properties during the period under review.

19. SALE/PURCHASE OF QUOTED SECURITIES

	Unaudited 31.3.2007 RM'000
Quoted share - at cost	510
Less: Allowance for diminution in value	(443)
Quoted share - at carrying value	67
Market value of quoted shares	65

20. CORPORATE PROPOSAL

(being a date not earlier than seven (7) days from the date of issue of the quarterly report)

Status of corporate proposals:

- a) On 24 May 2007, on behalf of the Board of Directors of Favelle Favco Berhad, RHB Investment Bank Berhad (formerly known as RHB Sakura Merchant Bankers Berhad) made an announcement of the proposed transfer of the listing and quotation for the entire issued and paid-up share capital of Favelle Favco Berhad from the Second Board to Main Board of Bursa Malaysia Securities Berhad ("proposed transfer listing").

The proposed transfer listing is subject to and conditional upon approvals being obtained from the relevant authorities;

- b) Proposed authority for Muhibbah Engineering (M) Bhd ("MEB") to purchase its own share of up to 10% of the issued and paid-up capital at any point of time, which was announced on 24 May 2007;
- c) Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature, which was announced on 24 May 2007;
- d) Proposed new shareholders' mandate for additional recurrent related party transactions of a revenue or trading nature, which was announced on 24 May 2007; and
- e) Proposed amendments to the Articles of Association of MEB, which was announced on 14 May 2007.

Other than as mentioned above, there is no corporate proposal announced which is not completed as at the date of this report.

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21. GROUP BORROWINGS AND DEBT SECURITIES

		Foreign currency	
		Currency	Amount
		RM'000	
a) Short term borrowings			
Secured		RM	11,888
		DKK	11,177
		Sub-total	18,791
	Unsecured	RM	143,873
		SGD	2,251
		USD	470
		AUD	30
		Sub-total	150,705
b) Hire purchase and finance lease		RM	578
		SGD	8
		AUD	77
		Sub-total	811
Total short term borrowings			170,307
a) Long term borrowings			
Secured		RM	59,526
		USD	1,644
		DKK	1,436
		Sub-total	66,092
	Unsecured	RM	7,200
		Sub-total	7,200
b) Hire purchase and finance lease		RM	1,074
		SGD	44
		AUD	25
		Sub-total	1,244
Total long term borrowings			74,536
Total borrowings			244,843

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22. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

The outstanding foreign exchange forward contracts of the Group with maturity date within 1 year, as at 21 May 2007 are as follows:

← Principal Foreign Currency →	Amount '000	Forward Contracted Exchange Rate	Equivalent Currency '000
Sell:			
US Dollar	USD 153,752	3.3750 - 3.5044	RM 527,193
US Dollar	USD 4,500	1.2763 - 1.3434	AUD 5,911
AUD Dollar	AUD 2,000	2.8005	RM 5,601
Buy:			
US Dollar	USD 16,587	3.4128 - 3.5150	RM57,834
EURO Dollar	EURO 3,540	4.5390 - 4.6060	RM 16,098

The difference between the above forward foreign exchange contracts and the prevailing exchange rate would be recognised in the income statement upon realisation of the related receipts or payments, or upon maturity, whichever is earlier. There is minimal credit and market risk because the contracts are hedged with reputable banks.

The valuation of financial instruments not recognised in the balance sheet reflects their current market rates at the balance sheet date.

23. LITIGATIONS

There are no material outstanding litigations that have material effect to the Group as at 21 May 2007.

24. DIVIDENDS

The directors do not declare any interim dividend for the financial quarter under review.

There is no dividend paid for the financial quarter under review.

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25. EARNING PER SHARE ("EPS")

a) **Basic EPS**

Basic EPS is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period.

	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
	31.3.2007	31.3.2006	31.3.2007	31.3.2006
Net profit for the period (RM'000)	14,632	9,697	14,632	9,697
Weighted average number of ordinary shares in issue ('000)	149,618	144,568	149,618	144,568
Basic EPS (Sen)	9.78	6.71	9.78	6.71

b) **Diluted EPS**

For the purpose of calculating diluted EPS, the weighted average number of ordinary shares in issue during the period have been adjusted for the dilutive effects of all potential ordinary shares, ie share options granted to employees.

	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
	31.3.2007	31.3.2006	31.3.2007	31.3.2006
Net profit for the period (RM'000)	14,632	9,697	14,632	9,697
Weighted average number of ordinary shares in issue ('000)	149,618	N/A	149,618	N/A
Effect of dilution ('000)	10,011	N/A	10,011	N/A
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	159,629	N/A	159,629	N/A
Diluted EPS (Sen)	9.17	N/A*	9.17	N/A*

* Not applicable as the effect is anti-dilutive

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26. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 May 2007.

ON BEHALF OF THE BOARD

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TUAN HAJI MOHAMED TAIB BIN IBRAHIM
Chairman
Klang
28 May 2007