

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 2011 (1ST QUARTER)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 31.03.2011 RM'000	AUDITED AS AT 31.12.2010 RM'000
Assets		
Property, plant and equipment	613,875	623,099
Investment in associates	142,359	135,817
Goodwill and other intangible assets	14,400	14,400
Other non-current assets	30,200	30,946
Total non-current assets	800,834	804,262
Receivables, deposits and prepayments	903,653	896,562
Amount due from contract customers	386,637	583,071
Inventories	173,535	179,118
Current tax assets	3,451	3,374
Derivative assets	36,681	41,312
Cash and cash equivalents	239,327	201,106
Total current assets	1,743,284	1,904,543
Total assets	2,544,118	2,708,805
Equity		
Share capital	199,771	199,196
Reserves	273,270	252,318
Total equity attributable to shareholders of the Company	473,041	451,514
Minority interests	106,013	107,551
Total equity	579,054	559,065
Liabilities		
Payables and accruals	14,384	15,324
Loans and borrowings	263,038	264,154
Deferred tax liabilities	48,309	48,240
Total non-current liabilities	325,731	327,718
Provision, payables and accruals	561,755	807,191
Amount due to contract customers	256,617	278,022
Bills payables	631,133	540,596
Derivative liabilities	-	3,509
Loans and borrowings	179,553	182,069
Tax liabilities	10,275	10,635
Total current liabilities	1,639,333	1,822,022
Total liabilities	1,965,064	2,149,740
Total equity and liabilities	2,544,118	2,708,805
Net assets per share attributable to shareholders of the Company (RM)	1.19	1.14

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements)

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**ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2011 (1ST QUARTER)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
		31.3.2011 RM'000	31.3.2010 RM'000	31.3.2011 RM'000	31.3.2010 RM'000
Revenue		394,336	410,577	394,336	410,577
Cost of sales and operating expenses		(376,429)	(407,845)	(376,429)	(407,845)
Other income		3,505	1,054	3,505	1,054
Results from operating activities		21,412	3,786	21,412	3,786
Interest income		832	519	832	519
Finance costs		(4,295)	(1,987)	(4,295)	(1,987)
Operating profit		17,949	2,318	17,949	2,318
Share of profit after tax and minority interest of equity accounted associates		7,134	6,517	7,134	6,517
Profit before tax and exceptional items		25,083	8,835	25,083	8,835
Exceptional items	5	-	-	-	-
Profit before tax		25,083	8,835	25,083	8,835
Tax expense	18	(5,620)	(2,098)	(5,620)	(2,098)
Profit for the period		19,463	6,737	19,463	6,737
Other comprehensive income					
Foreign currency translation differences for foreign operations		804	(11,963)	804	(11,963)
Revaluation of property, plant and equipment		-	-	-	-
Other comprehensive income for the period		804	(11,963)	804	(11,963)
Total comprehensive income for the period		20,267	(5,226)	20,267	(5,226)
Profit attributable to:					
Owners of the Company		18,200	5,298	18,200	5,298
Minority interests		1,263	1,439	1,263	1,439
Profit for the period		19,463	6,737	19,463	6,737
Total comprehensive income attributable to:					
Owners of the Company		20,941	(3,921)	20,941	(3,921)
Minority interests		(674)	(1,305)	(674)	(1,305)
Total comprehensive income for the period		20,267	(5,226)	20,267	(5,226)
Earnings per ordinary share					
Basic (Sen)	25	4.58	1.35	4.58	1.35
Diluted (Sen)	25	4.38	1.31	4.38	1.31

(The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2011 (1ST QUARTER)**

	← Attributable to shareholders of the Company →					Total equity attributable to shareholders of the Company RM'000	Minority interest RM'000	Total equity RM'000
	← 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			
At 1 January 2010								
As previously stated	198,685	(5,561)	37,722	14,405	204,937	450,188	101,504	551,692
Rectification of brought forward realised foreign exchange difference previously included in work-in-progress	-	-	-	-	(24,639)	(24,639)	-	(24,639)
	198,685	(5,561)	37,722	14,405	180,298	425,549	101,504	527,053
Effect of adopting FRS 139	-	-	-	-	(75,522)	(75,522)	(5,551)	(81,073)
At 1 January 2010, restated	198,685	(5,561)	37,722	14,405	104,776	350,027	95,953	445,980
Share option exercised	60	-	23	-	-	83	16	99
Share-based payments	-	-	21	-	-	21	11	32
Total comprehensive income for the period	-	-	-	(9,219)	5,298	(3,921)	(1,305)	(5,226)
At 31 March 2010	198,745	(5,561)	37,766	5,186	110,074	346,210	94,675	440,885
At 1 January 2011	199,196	(5,561)	128,850	(1,266)	130,295	451,514	107,551	559,065
Share options exercised	575	-	11	-	-	586	163	749
Dividends to minority interests	-	-	-	-	-	-	(1,090)	(1,090)
Dilution of interest in subsidiary	-	-	-	-	-	-	63	63
Total comprehensive income for the period	-	-	-	2,741	18,200	20,941	(674)	20,267
At 31 March 2011	199,771	(5,561)	128,861	1,475	148,495	473,041	106,013	579,054

(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 2010 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 31 MARCH 2011 (1ST QUARTER)

	Unaudited YTD 31.03.2011 RM'000	Audited YTD 31.03.2010 RM'000
Operating profit before interest, tax, depreciation and amortisation	45,007	24,105
Net changes in working capital	(72,229)	(61,201)
Net income taxes paid	(6,057)	(2,094)
Net cash used in operating activities	(33,279)	(39,190)
Net cash used in investing activities	(9,215)	(2,740)
Net cash generated from/(used in) financing activities	81,749	(19,849)
Net increase/(decrease) in cash and cash equivalents	39,255	(61,779)
Cash and cash equivalents at 1 January	192,342	247,242
Currency translation differences	130	605
Cash and cash equivalents at 31 December	231,727	186,068

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

	31.03.2011 RM'000	31.03.2010 RM'000
Cash and bank balances	161,971	173,273
Deposits placed with licensed banks	77,356	43,512
Cash and cash equivalents per balance sheet	239,327	216,785
Bank overdrafts	(7,600)	(30,717)
	231,727	186,068

The Condensed Consolidated Cash Flow statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010

MUHIBBAH ENGINEERING (M) BHD
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**ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2011 (1ST QUARTER)**

1. ACCOUNTING POLICIES AND METHODS OF COMPUTATION

The interim financial statements are unaudited and have been prepared in accordance with the FRS 134 : Interim Financial Reporting and Chapter 9, part K of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2010. These explanatory notes attached to the interim financial report 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 financial year ended 31 December 2010.

2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2010 except for the adoption of the following new FRSs and IC Interpretations, and amendments to certain FRSs and IC Interpretations for financial period beginning 1 July 2010 and 1 January 2011:

Effective for annual periods beginning on or after 1 July 2010

FRS 1, *First-time Adoption of Financial Reporting Standards*

FRS 3 (revised), *Business Combinations*

FRS 127 (revised), *Consolidated and Separate Financial Statements*

Amendments to FRS 5, *Plan to Sell the Controlling Interest in a Subsidiary*

Amendments to FRS 2, *Scope of FRS2 and FRS3 (revised)*

Amendments to FRS 138, *Consequential Amendments Arising from FRS 3 (revised)*

Amendments to IC Interpretation 9, *Scope of IC Interpretation 9 and FRS 3 (revised)*

IC Interpretation 12, *Service Concession Arrangements*

IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*

IC Interpretation 17, *Distributions of Non-cash Assets to Owners*

Effective for annual periods beginning on or after 1 January 2011

Amendments to FRS2, *Share-based Payment: Group Cash-settled Share-based Payment Transactions*

Amendments to FRS1 (revised), *Limited Exemption from Comparative FRS7 Disclosures for First-time Adopters and Additional Exemptions for First-time Adopters*

Amendments to FRS 7, *Improving Disclosures about Financial Instruments*

IC Interpretation 18, *Transfers of Assets from Customers*

IC Interpretation 4, *Determining Whether An Arrangement Contains a Lease*

The principal effects of the changes in presentation, changes in methods of computation and in accounting policies resulting from the adoption of the new and revised FRSs, IC Interpretations and Amendments are set out below:

a) FRS 3 (revised), Business Combination

- FRS 3 (revised) incorporates the following changes that are likely to be relevant to the Group's operations:
- Contingent consideration will be measured at fair value, with subsequent changes there in recognised in profit or loss.
- Transaction costs, other than share and debt issue costs, will be expensed as incurred.
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit and loss.
- Any minority (will be known as non-controlling) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction

FRS 3 (revised), which becomes mandatory for the Group's 2011 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2011 consolidated financial statements.

b) FRS 127 (revised), Consolidated and Separate Financial Statements

FRS 127 (revised) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of the parent. The Group will apply the major changes FRS127 (revised) prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for its future transactions or arrangements.

Other than the principal effects as discussed above, the adoption of the above FRSs, Amendments and IC Interpretations do not have any significant financial impact on the Group's result.

3. AUDIT REPORT OF THE PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2010

The Auditors' Report on the financial statements of the preceding financial year was not subject to audit qualification.

4. SEASONALITY OR CYCLICALITY OF OPERATIONS

The business operations of the Group were not significantly affected by any seasonal or cyclical factor.

5. EXCEPTIONAL OR UNUSUAL ITEMS

There were no exceptional or unusual items affecting financial statements of the Group for the current quarter under review other than as disclosed.

6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in prior interim periods and prior financial years that have a material effect in the current quarter under review.

7. DEBT AND EQUITY SECURITIES

During the period ended 31 March 2011, a total of 1,150,500 new ordinary shares of RM0.50 each was issued at RM0.51, pursuant to the exercise of the Employees' Share Option Scheme.

Other than as mentioned above, there were no cancellation, repurchase, resale and repayment of debts and equity securities during the period under review.

8. DIVIDEND PAYMENT

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

9. SEGMENT REVENUE AND RESULTS

Financial data by business segment for the Group:

	Period ended 31.03.2011	
	Revenue RM'000	Profit before tax RM'000
Infrastructure construction	296,056	8,400
Cranes	85,181	4,183
Marine ship repair and ship building	131,149	20,683
Concession	-	7,613
	<hr/>	<hr/>
	512,386	40,879
Less: Group eliminations	(118,050)	(15,796)
	<hr/>	<hr/>
	<u>394,336</u>	<u>25,083</u>

10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There were no changes to the valuation of property, plant and equipment from the previous year's audited financial statements.

11. MATERIAL SUBSEQUENT EVENTS

There is no material subsequent event from the end of the period to 18 May 2011.

12. MATERIAL CHANGES IN THE GROUP'S COMPOSITION

There were no major changes in the composition of the Group during the current quarter under review except for the following:

- a) On 25 February 2011, a subsidiary of the Company, Favelle Favco Bhd, had incorporated a new wholly-owned subsidiary under the name Favelle Favco Winches Pte. Ltd. ("FFW"). FFW is a private company limited by shares incorporated under the Companies Act (Cap.50).

The issued and fully paid up capital of FFW is SGD1 divided into 1 ordinary shares of SGD1 each at the date of incorporation. On 10 April 2011, the Company subscribed for an additional new shares of 149,999 ordinary shares of SGD1 each in FFW at par for a cash consideration of SGD149,999.

The intended principal activity of FFW is design, fabrication, trading, service and rental of winches, hydraulic systems and material handling equipment.

13. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

Since the last annual balance sheet as at 31 December 2010, there were no material changes in the contingent liabilities of the Company except for the following:

Corporate guarantees for credit facilities granted to subsidiary companies	<u>RM'000</u> <u>176,300</u>
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14. COMPARISON WITH PRECEDING QUARTER RESULTS (Q1 2011 vs. Q4 2010)

The Group reported a higher consolidated profit after tax for the current quarter of RM19.46 million as compared to RM12.89 million reported in the previous quarter was mainly due to improved results from all divisions.

15. REVIEW OF GROUP PERFORMANCE (YTD Q1 2011 vs. YTD Q1 2010)

The Group reported an increase of 189% consolidated profit after tax to RM19.46 million for the current period ended 31 March 2011 under review as compared to RM6.74 million for the last corresponding period ended 31 December 2010 mainly due to better results from all divisions.

16. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 19 May 2011, the total outstanding secured order book in hand of the Group is RM2.86 billion, comprises of RM2.0 billion from Infrastructure Construction Division, RM496 million from Cranes Division and RM358 million from Shipyard Division. These outstanding secured order books will take us into 2013.

b) Current Year Prospect

With the launching of Economic Transformation Programme by Malaysian Government as well as the increasing investment activities by the global oil and gas majors, the Group is on track to achieve better performance for the year onwards.

17. PROFIT FORECAST

The Group has not issued any profit forecast or profit guarantee during the current quarter under review.

18. TAXATION

	Current Quarter 31.03.2011 RM'000	Cumulative Qtr To date 31.03.2011 RM'000
Corporate tax expense		
Malaysia - current	(5,517)	(5,517)
Overseas - current	(103)	(103)
	(5,620)	(5,620)
Deferred tax expense		
Malaysia - current	-	-
Overseas - current	-	-
	-	-
Total tax expense	<u>(5,620)</u>	<u>(5,620)</u>

The Group's effective tax rate for the current period is higher than the statutory tax rate mainly due to no tax loss set off available for projects and operational units among different countries.

19. SALE OF UNQUOTED INVESTMENT AND / OR PROPERTIES

There was no sale of unquoted investment and/or properties during the current quarter under review.

20. SALE/ PURCHASE OF QUOTED SECURITIES

The Group did not sell or purchase any quoted securities during the quarter under review.

21. CORPORATE PROPOSALS

The were no outstanding corporate proposals during the quarter under review.

22. GROUP BORROWINGS AND DEBT SECURITIES

	Foreign Currency		RM'000
	Currency	Amount	
a) Short term borrowings			
Secured	RM	11,295	11,295
	AUD	573	1,790
	Sub- total		13,085
Unsecured	RM	153,416	153,416
	USD	4,211	12,750
	Sub- total		166,166
b) Hire purchase and finance lease	RM	52	52
	DKK	435	250
	Sub- total		302
Total Short Term Borrowings			179,553
a) Long term borrowings			
Secured	RM	95,204	95,204
	Sub-total		95,204
Unsecured	RM	165,367	165,367
	USD	688	2,083
	Sub-total		167,450
b) Hire purchase and finance lease	RM	85	85
	DKK	520	299
	Sub-total		384
Total Long Term Borrowings			263,038
Total borrowings			442,591

23. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 March 2011, the Group had the following outstanding derivative financial instruments:

Derivatives	Contract value	Market value as at 31 March 2011
	RM'000	RM'000
Forward foreign exchange contracts		
- Purchase USD, sell RM	(42,228)	(41,710)
- Sell USD, buy RM	274,077	254,386
- Sell USD, buy AUD	12,004	11,677
- Sell SGD, buy RM	61,270	61,020
- Sell Euro, buy RM	125,124	108,193

Forward foreign exchange contract is used as a hedging tool to minimise the Group's exposure to exchanges in fair value of its commitment, conducted in the ordinary course of business, as a result of fluctuation in exchange rate. There is minimal credit and market risk because the contracts are hedged with reputable banks.

24. MATERIAL LITIGATION

The material litigation of the Group are as follow:

i. QSA Marine Logistics Pte Ltd (“QSA”) v MEB

QSA, as the Claimant, lodged a Statement of Claim on 8 December 2010 in Singapore against the Company (Respondent) for alleged breach of a bareboat charter party contract entered into between the two parties for the charter of a barge by the Respondent from the Claimant. The Respondent has lodged a Statement of Defence on 4 March 2011. The claim in total is equivalent to approximately RM7.50 million. No hearing dates for the arbitration have been fixed yet but it is anticipated to be towards the end of 2011. The Respondent’s solicitors are of the view that the Respondent has a good defence to the claim.

ii. KEMJ Engineering Sdn Bhd (“KEMJ”) v MEB

KEMJ, as the plaintiff, filed an action in the Shah Alam High Court on 1 March 2011 against the Company for a sum of RM3.22 million, allegedly owing under a final account in a building contract., where the plaintiff was the sub-contractor and the Company was the main contractor. The Company has filed a counter claim for overpayment in another building contract, exercising its right of set off as provided in the former contract.

The suit is fixed for hearing on 16 June 2011 for the plaintiff’s application for summary judgment and application for stay of proceedings to refer the same to arbitration. As the above suit is still in its early stages, it is premature to assess the outcome of the actions at this point in time.

iii. Supreme Court of the State of New York

The Suits against the Company, its subsidiary Favelle Favco Berhad (“FFB”) and FFB’s subsidiary, Favelle Favco Cranes (USA) Inc (“FFU”), commenced by persons/companies in New York vide suits instituted in the Supreme Court of the State of New York, as previously reported remain ongoing.

The Company, FFB and FFU intend to vigorously defend the same.

iv. District Court of Bexar County, Texas

The Suit against FFB and its subsidiary, FFU, commenced by Zachry Industrial, Inc. in the District Court of Bexar County, Texas, as previously reported remain ongoing.

FFB intends to have the Suit dismissed against itself at the appropriate juncture and in any case, FFB and FFU intend to vigorously defend the Suit.

25. EARNINGS PER SHARE (“EPS”)

a) Basic EPS

	Basic EPS		Diluted EPS	
	Current	Cumulative	Current	Cumulative
	31.03.2011		31.03.2011	
Net profit attributable to the shareholders of the Company (RM'000)	18,200	18,200	18,200	18,200
Weighted average number of ordinary shares in issue ('000)	397,217	397,217	397,217	397,217
Effect of dilution:				
Share options ('000)	-	-	5,970	5,970
Warrants ('000)	-	-	12,374	12,374
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	397,217	397,217	415,561	415,561
EPS (Sen)	4.58	4.58	4.38	4.38

26. REALISED AND UNREALISED PROFITS/LOSSES

	As at 31.03.2011 RM'000	As at 31.12.2010 RM'000
Total retained profits/ (accumulated losses) of Muhibbah Engineering (M) Bhd and its subsidiaries:		
- Realised	140,116	131,341
- Unrealised	(53,958)	(58,755)
	86,158	72,586
Total retained profits/ (accumulated losses) from associated companies:		
- Realised	85,197	78,080
- Unrealised	(1,963)	(1,981)
	83,234	76,099
Less: Consolidation adjustments	(20,897)	(18,390)
Total Group retained profits	148,495	130,295

27. COMPARATIVE FIGURES

Comparative figures, where applicable, have been modified to conform with the current quarter presentation.

28. 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 24 May 2011.

By order of the Board of Directors
Company Secretary
Date : 23 May 2011